Banco Nacional de Crédito, C.A., Banco Universal

Report of Independent Accountants and Financial Statements
June 30, 2016 and December 31, 2015

pwc

Report of Independent Accountants

To the Shareholders and Board of Directors of
Banco Nacional de Crédito, C.A., Banco Universal

Report on the financial statements
We have audited the accompanying financial statements of Banco Nacional de Crédito, C.A., Banco Universal (the Bank) and its Curacao Branch, which comprise the balance sheets at June 30, 2016 and December 31, 2015, and the related statements of income, changes in equity and cash flows for the six-month periods then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of financial statements in accordance with the accounting rules and instructions of the Superintendency of Banking Sector Institutions (SUDEBAN), which are of mandatory use for the Venezuelan banking system. As described in Note 2, these rules differ in certain significant respects from accounting principles generally accepted in Venezuela (VEN NIF). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing (ISA). Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Banco Nacional de Crédito, C.A., Banco Universal and its Curacao Branch at June 30, 2016 and December 31, 2015, and the results of their operations and their cash flows for the six-month periods then ended, in conformity with the accounting rules and instructions of the Superintendency of Banking Sector Institutions (SUDEBAN).

Espiñeira, Pacheco y Asociados
(PricewaterhouseCoopers)

Juan J. Camacho
CPC 16072
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August 19, 2016

Banco Nacional de Crédito, C.A., Banco Universal
Balance sheet
June 30, 2016 and December 31, 2015

	June 30, 2016	December 31, 2015
	(In bolivars)	
Assets		
Cash and due from banks (Notes 3, 4 and 27)	67,106,037,756	48,978,708,814
Cash	6,525,470,856	2,852,681,773
Central Bank of Venezuela	55,763,003,906	42,216,097,174
Venezuelan banks and other financial institutions	90,096	90,167
Foreign and correspondent banks	254,596,861	376,136,167
Pending cash items	4,562,876,037	3,533,708,580
(Provision for cash and due from banks)	-	(5,047)
Investment securities (Note 5)	17,464,347,955	19,109,773,041
Deposits with the BCV and overnight deposits	274,312,500	-
Investments in available-for-sale securities	3,427,756,346	5,000,346,561
Investments in held-to-maturity securities	6,024,339,303	6,848,718,855
Restricted investments	103,032,062	82,914,981
Investments in other securities	7,635,007,744	7,177,892,644
(Provision for investment securities)	(100,000)	(100,000)
Loan portfolio (Note 6)	116,433,590,132	85,608,576,524
Current	119,114,854,403	87,280,933,007
Rescheduled	48,406,325	102,412,848
Overdue	71,877,308	40,824,088
(Allowance for losses on loan portfolio)	(2,801,547,904)	(1,815,593,419)
Interest and commissions receivable (Note 7)	1,319,080,657	986,026,273
Interest receivable on investment securities	280,922,134	313,066,651
Interest receivable on loan portfolio	1,040,809,012	677,975,370
Commissions receivable	4,463,152	3,571,562
Interest and commissions receivable on other accounts receivable	14,183,346	802,439
(Provision for interest receivable and other)	(21,296,987)	(9,389,749)
Investment in subsidiaries, affiliates and branches (Note 8)	-	-
Available-for-sale assets (Note 9)	-	-
Property and equipment (Note 10)	9,268,609,069	4,780,086,287
Other assets (Notes 11 and 12)	8,794,100,922	5,047,200,839
Total assets	220,385,766,491	164,510,371,778
Memorandum accounts (Note 21)		
Contingent debtor accounts	10,327,236,937	7,801,594,555
Assets received in trust	5,020,694,030	3,783,092,664
Debtor accounts from other special trust services (Housing Loan System)	2,175,397,376	1,553,879,525
Other debtor memorandum accounts	315,933,148,888	191,179,255,530
	333,456,477,231	204,317,822,274

The accompanying notes are an integral part of the financial statements

Banco Nacional de Crédito, C.A., Banco Universal
Balance sheet
June 30, 2016 and December 31, 2015

	June 30, 2016	December 31, 2015
	(In bolivars)	
Liabilities and Equity		
Customer deposits (Note 13)	197,789,647,774	147,304,461,210
Demand deposits	151,945,127,187	109,039,257,908
Non-interest-bearing checking accounts	107,943,260,589	76,151,591,481
Interest-bearing checking accounts	20,150,622,811	12,634,407,943
Checking accounts under Exchange Agreement No. 20	42,847,241	32,589,011
Demand deposits and certificates	23,808,396,546	20,220,669,473
Other demand deposits	2,534,065,493	1,155,470,012
Savings deposits	29,674,737,049	26,432,814,123
Time deposits	13,434,892,232	10,639,002,205
Securities issued by the Bank	187,309,688	-
Restricted customer deposits	13,516,125	37,916,962
Borrowings (Note 14)	124,888,044	161,610,575
Venezuelan financial institutions, up to one year	123,318,304	160,042,026
Foreign financial institutions, up to one year	1,569,740	1,568,549
Interest and commissions payable (Note 15)	307,840,762	228,819,648
Expenses payable on customer deposits	307,388,989	228,484,559
Expenses payable on borrowings	451,773	335,089
Accruals and other liabilities (Note 16)	6,129,121,971	4,247,509,245
Total liabilities	204,351,498,551	151,942,400,678
Equity (Note 23)		
Capital stock	1,621,930,372	1,321,930,372
Contributions pending capitalization	5,032,130,398	3,853,150,939
Capital reserves	1,083,609,377	914,041,278
Retained earnings	4,408,772,260	3,420,315,080
Exchange gain from holding foreign currency assets and liabilities	3,816,281,707	2,851,100,572
Net unrealized gain on investments in available-for-sale securities (Note 5)	71,543,826	207,432,859
Total equity	16,034,267,940	12,567,971,100
Total liabilities and equity	220,385,766,491	164,510,371,778

The accompanying notes are an integral part of the financial statements

Banco Nacional de Crédito, C.A., Banco Universal
Income statement
Six-month periods ended June 30, 2016 and December 31, 2015

	June 30, 2016	December 31, 2015
	(In bolivars)	
Interest income	14,145,948,905	9,271,909,563
Income from cash and due from banks	162,616	7,574
Income from investment securities	872,577,270	838,576,808
Income from loan portfolio	13,247,812,255	8,421,920,385
Income from other accounts receivable	6,968,013	5,800,020
Other interest income	18,428,751	5,604,776
Interest expense	(4,221,623,168)	(2,739,728,047)
Expenses from customer deposits	(4,104,333,168)	(2,710,351,751)
Expenses from borrowings (Note 14)	(52,339,243)	(7,074,775)
Expenses from other liabilities from financial intermediation	(62,277,778)	(20,319,445)
Other interest expense	(2,672,979)	(1,982,076)
Gross financial margin	9,924,325,737	6,532,181,516
Income from financial assets recovered (Notes 6 and 7)	52,128,942	19,904,535
Expenses from uncollectible loans and other accounts receivable (Notes 6 and 7)	(951,793,887)	(700,133,391)
Expenses from provision for cash and due from banks	(697,418)	(30,977)
Net financial margin	9,023,963,374	5,851,921,683
Other operating income (Note 18)	2,014,564,998	1,113,529,886
Other operating expenses (Note 19)	(469,210,945)	(317,615,677)
Financial intermediation margin	10,569,317,427	6,647,835,892
Operating expenses	(8,015,279,705)	(4,317,454,221)
Salaries and employee benefits (Note 2-j)	(2,009,178,558)	(1,101,563,974)
General and administrative expenses (Note 20)	(4,873,703,285)	(2,504,950,343)
Fees paid to the Social Bank Deposit Protection Fund (Note 25)	(1,007,054,639)	(639,266,944)
Fees paid to the Superintendency of Banking Sector Institutions (Note 26)	(125,343,223)	(71,672,960)
Gross operating margin	2,554,037,722	2,330,381,671
Income from available-for-sale assets (Note 9)	27,803,675	-
Sundry operating income (Note 18)	39,717,805	17,217,601
Sundry operating expenses (Note 19)	(276,599,423)	(142,741,068)
Net operating margin	2,344,959,779	2,204,858,204
Extraordinary expenses	(13,253,457)	(10,490,263)
Gross income before tax	2,331,706,322	2,194,367,941
Income tax (Note 17)	(733,681,042)	(833,659,610)
Net income	1,598,025,280	1,360,708,331
Appropriation of net income		
Legal reserve	159,802,528	272,141,666
Retained earnings	1,438,222,752	1,088,566,665
	1,598,025,280	1,360,708,331
Provision for the Antidrug Law (Notes 1 and 19)	22,202,276	22,683,923

The accompanying notes are an integral part of the financial statements

Banco Nacional de Crédito, C.A., Banco Universal
Statement of changes in equity
Six-month periods ended June 30, 2016 and December 31, 2015

	Paid-in capital stock	Share premium and contributions pending capitalization	Capital reserves	Retained earnings: Unappropriated surplus	Retained earnings: Restricted surplus	Retained earnings: Non-distributable surplus	Retained earnings: Cumulative loss	Retained earnings: Total	Exchange gain from holding foreign currency assets and liabilities	Unrealized gain (loss) on investment securities (Note 5)	Total equity
						(In bolivars)					
Balances at June 30, 2015	981,930,372	924,044,033	633,815,359	1,400,823,787	1,240,145,466	38,863,415	-	2,679,832,668	2,342,043,822	235,065,982	7,796,732,236
Contributions pending capitalization (Note 23)	-	2,929,106,906	-	-	-	-	-	-	-	-	2,929,106,906
Capital increase through capitalization of retained earnings (Note 23)	340,000,000	-	-	-	(340,000,000)	-	-	(340,000,000)	-	-	-
Gain on sale of investments and adjustments of investments in available-for-sale securities to market value	-	-	-	-	-	-	-	-	-	(27,633,123)	(27,633,123)
Net gain on sale of foreign currency assets through the Marginal Foreign Exchange System (SIMADI) (Note 5)	-	-	-	-	-	-	-	-	509,056,750	-	509,056,750
Net income	-	-	-	1,360,708,331	-	-	-	1,360,708,331	-		1,360,708,331
Appropriation to the legal reserve (Note 23)	-	-	272,141,666	(272,141,666)	-	-	-	(272,141,666)	-	-	-
Creation of the Social Contingency Fund (Note 23)	-	-	8,084,253	(8,084,253)	-	-	-	(8,084,253)	-	-	-
Reclassification of net income of the Curacao Branch (Note 23)	-	-	-	12,440,177	-	(12,440,177)	-	-	-	-	-
Reclassification to restricted surplus of 50% of net income for the period (Note 23)	-	-	-	(550,503,419)	550,503,419	-	-	-	-	-	-
Balances at December 31, 2015	1,321,930,372	3,853,150,939	914,041,278	1,943,242,957	1,450,648,885	26,423,238	-	3,420,315,080	2,851,100,572	207,432,859	12,567,971,100
Contributions pending capitalization (Note 23)	-	1,178,979,459	-	-	-	-	-	-	-	-	1,178,979,459
Capital increase through capitalization of retained earnings (Note 23)	300,000,000	-	-	-	(300,000,000)	-	-	(300,000,000)	-	-	-
Cash dividends declared (Note 23)	-,	-	-	(140,000,000)	-	-	-	(140,000,000)	-	-	(140,000,000)
Gain on sale of investments and adjustments of investments in available-for-sale securities to market value	-,	-	-	-	-	-	-	-	-	(135,889,033)	(135,889,033)
Net gain on sale of foreign currency assets through SIMADI (Note 5)	-	-	-	-	-	-	-	-	729,874,147	-	729,874,147
Exchange gain, net (Note 4)	-	-	-	-	-	-	-	-	235,306,988	-	235,306,988
Net income	-	-	-	1,598,025,280	-	-	-	1,598,025,280	-	-	1,598,025,280
Appropriation to the legal reserve (Note 23)			159,802,528	(159,802,528)	-	-	-	(159,802,528)	-	-	-
Creation of the Social Contingency Fund (Note 23)	-	-	9,765,571	(9,765,572)	-	-	-	(9,765,572)	-	-	(1)
Reclassification of net income of the Curacao Branch (Note 23)	-	-	-	120,575,601	-	-	(120,575,601)	-	-	-	-
Reclassification to restricted surplus of 50% of net income for the period (Note 23)	-	-	-	(719,111,376)	719,111,376	-	-	-	-	-	-
Balances at June 30, 2016	1,621,930,372	5,032,130,398	1,083,609,377	2,633,164,362	1,869,760,261	26,423,238	(120,575,601)	4,408,772,260	3,816,281,707	71,543,826	16,034,267,940

Net income per share (Note 2-n)

	Six-month periods ended: June 30, 2016	Six-month periods ended: December 31, 2015
Weighted average of outstanding shares	1,116,216,086	965,263,705
Income per share	1.219	0.975

The accompanying notes are an integral part of the financial statements

Banco Nacional de Crédito, C.A., Banco Universal
Cash flow statement
Six-month periods ended June 30, 2016 and December 31, 2015

	June 30, 2016	December 31, 2015
	(In bolivars)	
Cash flows from operating activities		
Net income	1,598,025,280	1,360,708,331
Adjustments to reconcile net income to net cash provided by operating activities		
Allowance for losses on loan portfolio	949,760,137	699,310,164
Provision for interest receivable	2,033,750	823,227
Provision for other assets	9,984,436	8,001,500
Depreciation of property and equipment and amortization of deferred charges	478,853,177	237,224,858
Accrual for length-of-service benefits	458,184,702	209,939,491
Transfers to trust fund and payment of length-of-service benefits	(187,263,764)	(118,693,933)
Income tax provision	600,019,110	885,017,829
Deferred income tax	133,661,932	(51,358,219)
Net change in		
Overnight deposits	(274,312,500)	200,000,000
Interest and commissions receivable	(322,541,958)	(281,986,115)
Other assets	(3,906,587,619)	(3,409,200,479)
Accruals and other liabilities	678,974,514	1,089,858,800
Net cash provided by operating activities	218,791,197	829,645,454
Cash flows from financing activities		
Contributions pending capitalization	1,178,979,459	2,929,106,906
Net change in		
Customer deposits	50,468,903,553	49,844,419,511
Borrowings	(36,722,531)	99,045,993
Other liabilities from financial intermediation	-	(1,858,539)
Interest and commissions payable	79,021,114	140,497,076
Net cash provided by financing activities	51,690,181,595	53,011,210,947
Cash flows from investing activities		
Loans granted during the period	(98,276,633,872)	(68,010,483,192)
Loans collected during the period	66,612,855,940	38,583,134,692
Equity adjustments for participation in SIMADI transactions	729,874,147	509,056,750
Net change in		
Investments in available-for-sale securities	1,462,793,791	(506,795,640)
Investments in held-to-maturity securities	883,894,908	(1,757,111,693)
Restricted investments	(7,331,229)	(6,696,359)
Investments in other securities	(457,115,100)	(1,929,752,240)
Property and equipment	(4,817,664,860)	(2,026,853,202)
Net cash used in investing activities	(33,869,326,275)	(35,145,500,884)
Cash and due from banks		
Net change in cash and cash equivalents	18,039,646,517	18,695,355,517
Effect of exchange fluctuations in cash	87,682,425	-
At the beginning of the period	48,978,708,814	30,283,353,297
At the end of the period	67,106,037,756	48,978,708,814
Supplementary information on non-cash activities		
Write-off of uncollectible loans	22,739,835	12,802,755
Write-off of uncollectible loans (interest)	2,134,177	1,243,516
Reclassification of excess in (Notes 6, 7 and 17)		
Allowance for losses on loan portfolio to contingent loans	(53,206,834)	30,725,811
Allowance for losses on loan portfolio to provision for interest receivable	11,027,302	4,221,987
Change in net unrealized gain on investments in available-for-sale securities	(135,889,033)	(27,633,123)
Creation of the Social Contingency Fund (Note 23)	8,109,652	6,609,652
Interest earned on the Social Contingency Fund (Note 23)	1,655,919	1,474,601
Adjustment from net exchange gain		
Cash and due from banks	87,682,425	-
Investments in available-for-sale securities	26,092,609	-
Investments in held-to-maturity securities	59,515,356	-
Restricted investments	12,785,852	-
Loan portfolio	69,311,019	-
Interest and commissions receivable	1,024,137	-
Other assets	7,999	-
Customer deposits	(16,283,011)	-
Accruals and other liabilities	(4,829,398)	-

The accompanying notes are an integral part of the financial statements

1. Activities and regulatory environment

Banco Nacional de Crédito, C.A., Banco Universal (hereinafter the Bank) was authorized to operate as a commercial bank in the Bolivarian Republic of Venezuela in February 2003 under the name Banco Tequendama, S.A. and as a universal bank on December 2, 2004. Its business objective is to provide financial intermediation consisting in the procurement of funds for the purpose of granting credits or loans and investing in securities.

The Bank is incorporated and domiciled in the Bolivarian Republic of Venezuela. Its legal address is: Avenida Vollmer, Torre Sur del Centro Empresarial Caracas, Urbanización San Bernardino, ZP 1010, Caracas.

Most of the Bank's assets are located in the Bolivarian Republic of Venezuela. At June 30, 2016 and December 31, 2015, the Bank has 170 offices and external counters, a branch in Curacao and a main office and; 3,260 and 3,113 employees, respectively.

The Bank's shares are traded on the Caracas Stock Exchange (Note 23).

The Bank conducts transactions with a related company (Note 24).

The Bank's financial statements at June 30, 2016 and December 31, 2015 were approved for issue by the Board of Directors on July 13 and January 13, 2016, respectively.

In August 2003, the Superintendency of Banking Sector Institutions (SUDEBAN) issued Resolution No. 202.03 dated August 4, 2003, published in Official Gazette No. 37,748 on August 7, 2003, authorizing the Bank's fiduciary operations.

The new Law on Banking Sector Institutions (hereinafter the Law on Banking Sector Institutions) issued by the Venezuelan government on November 13, 2014 through Official Gazette of December 8, 2014 repealed the previous Law of December 2010.

This Law, among other things, considers banking as a public service; defines financial intermediation as fundraising for investment in loan portfolios and securities issued or guaranteed by the Venezuelan government or government agencies; extends disqualification instances to act as directors; prohibits the formation of financial groups understood as a group of banks, non-banking institutions, financial institutions and companies constituting a decision-making or management unit; establishes connecting criteria, requires boards of directors to approve lending operations exceeding 5% of equity; establishes a social contribution of 5% of pre-tax income for the fulfillment of social responsibilities to finance projects developed by communal councils, limits consumer credits to 20% of the bank's loan portfolio, transactions for a single debtor to 10% of equity, one economic group to 20% and to an additional 10% with bank or other appropriate guarantees and; defines debtor in relation to this limitation, among others.

According to the temporary provisions of the new Law, banks have a 30-day deadline to submit to SUDEBAN a plan to conform to the new legislation.

Through Circular SIB-DSB-CJ-OD-42351 of December 11, 2014, SUDEBAN informed that the 30-day deadline to submit the Adjustment Plan to conform to the new legislation shall be counted as from December 8, 2014. The Bank submitted the Adjustment Plan to SUDEBAN on January 7, 2015. Through Notice SIB-II-GGIBPV-GIBPV2-22366 of July 9, 2015, SUDEBAN replied and indicated that the Bank must strictly comply with the aforementioned notice. On July 23, 2015, the Bank responded to SUDEBAN that it will continue to review the content of the Law to identify issues that need to be addressed or activities that need to be performed to comply with applicable rules. On July 28, 2015, the Bank responded to SUDEBAN and presented new considerations on the progress of the Adjustment Plan. Through Notice SIB-II-GGIBPV-GIBPV2-32439 of October 9, 2015, SUDEBAN expressed its opinion about the Bank's response. On October 27, 2015, the Bank sent new considerations and exhibits regarding compliance with the Adjustment Plan and SUDEBAN responded through Notice SIB-II-GGIBPV-GIBPV4-40170 of December 28, 2015.

The Bank's activities are ruled by the Law on Banking Sector Institutions, the Stock Market Law, the commercial law (the Venezuelan Code of Commerce), the financial law (Law of the National Financial System), any other applicable laws, regulations issued by the Venezuelan government and provisions issued by the Higher Authority of the National Financial System (OSFIN), the Central Bank of Venezuela (BCV) and the Venezuelan Securities Superintendency (SNV), as well as the prudential rules and other instructions of SUDEBAN.

OSFIN will establish rules for citizens to participate in the supervision of the financial management and social controllership of the parties to the National Financial System, will protect user rights, and will promote collaboration among the sectors of the productive economy, including the popular and communal sectors.

The Law of the National Financial System is aimed at regulating, supervising, controlling and coordinating the National Financial System in order to ensure that financial resources are used and invested for the public interest and for economic and social development with a view to creating a social and democratic State ruled by Law and Justice. The National Financial System is formed by the group of public, private and communal financial institutions and any other form of organization operating in the banking sector, the insurance sector, the stock market and any other sector or group of financial institutions that the policy-making body deems should form part of the system. Individuals and corporations that are users of the financial institutions belonging to the system are also included.

Curacao Branch
The banking activities of the Bank's Curacao Branch (hereinafter the Branch) are regulated by the Law of Banks of Curacao and St. Maarten. The Branch is not an economically independent entity and conducts transactions following the Bank's guidelines. The Branch operates under an off-shore license granted by the Central Bank of Curacao and St. Maarten and SUDEBAN in Venezuela. Capital assigned to the Branch has been contributed by the Bank (Note 8).

Other laws that regulate the Bank's activities are described below:

Agricultural Loan Law
The Agricultural Loan Law requires the People's Power Ministry for Economy and Finance and the People's Power Ministry for Agriculture and Land to jointly fix within the first month of each year the minimum percentage of the loan portfolio to be earmarked by each commercial and universal bank to finance agriculture.

On April 28, 2016, through a Joint Resolution, the People's Power Ministries for Banking and Finance and for Agriculture and Land established the minimum percentages of the loan portfolio to be earmarked by each universal bank to finance agriculture during 2016. This percentage is calculated based on the gross loan portfolio at December 31, 2015 and 2014 of each universal bank, and must be applied as follows: 21% in February, 22% in March and April; 23% in May; 24% in June; 25% in July, August and September; 26% in October, November and December (for the six-month period ended December 31, 2015, this percentage is calculated based on the gross loan portfolio at December 31, 2014 and 2013, and must be applied as follows: 24% in July, August and September and; 25% in October, November and December) (Note 6).

This Resolution also established that universal banks must grant medium and long-term loans representing at least 20% of the total agricultural loan portfolio. In addition, this Resolution requires the number of new individual and company borrowers of the agricultural loan portfolio to be increased by 10% with respect to total agricultural borrowers at prior year end. Universal banks must distinguish between agricultural loan borrowers maintained at prior year end and new borrowers for a given year subject to measurement. Moreover, the Resolution establishes how the total quarterly balance of each bank's agricultural loan portfolio must be distributed between strategic and non-strategic crops, agroindustrial investment and marketing (Note 6).

Also the Resolution establishes that as from April 2014 banks shall discount 0.5% of agricultural loans settled and transfer this amount to the People's Power Ministry for Agriculture and Land on a monthly basis. This balance will be attributable to the respective loans and, therefore, financed under the same terms and conditions established for each credit operation.

According to the Resolution, only 5% of loans earmarked for primary agricultural production may be granted without guarantees to borrowers meeting the following conditions:

1. Borrowers must be individuals or companies.

2. Borrowers may not have another agricultural loan with any public or private universal bank or with any bank in the process of becoming universal at the loan application date.

3. Borrowers must be registered in the Single Mandatory Permanent Registry for Agricultural Producers.

4. The primary production project must be viable and have the endorsement of the Minister for Agriculture and Land, prior presentation of the explanatory technical report before the Agricultural Loan Monitoring Committee.

To comply with the aforementioned percentages, financial institutions may alternatively place funds with public banks or contribute them to the Fund for Social Agricultural Development (FONDAS) in the form of capital contributions to Sociedad de Garantías Recíprocas para el Sector Agropecuario, Forestal, Pesquero y Afines, S.A. (S.G.R. SOGARSA, S.A.), provided that the receiving entity ultimately uses the funds to grant agricultural loans, in accordance with the terms and conditions approved by the Agricultural Loan Monitoring Committee. Any such funds that are not used directly by the receiving entity for agricultural loans may be returned at the Bank's request after it has solved the loan deficit that motivated the contribution of funds in the first place, but in no event before the financial instrument agreed between the parties matures.

Law on Benefits and Payment Facilities for Agricultural Debts on Strategic Crops for Food Security and Sovereignty

The Law on Benefits and Payment Facilities for Agricultural Debts on Strategic Crops for Food Security and Sovereignty was enacted on August 3, 2009. Subsequently, on September 17, 2009, April 1, 2011 and July 2, 2012, through a Joint Resolution, the People's Power Ministry for Planning and Finance and the People's Power Ministry for Agriculture and Land established the special terms and conditions for debt restructuring and the procedures and requirements for filing and issuing response notices for agricultural debt restructuring and relief requests.

Agricultural Aid Law

The new Agricultural Aid Law became effective on June 19, 2014. This Law establishes the rules governing benefits, payment facilities and restructuring of agricultural loans for the production of strategic crops for food security and sovereignty when repayment is partially or fully impacted by environmental, biological or physical damages that significantly affect the production and development capacity of productive units.

This Law will benefit individuals or corporations that had received agricultural loans to sow crops, purchase raw materials, machinery, equipment and livestock, build and improve infrastructure, reactivate distribution centers and finance working capital in relation to the production of strategic crops.

The beneficiaries who received loans to finance the strategic crops defined under the Law shall be granted partial or full debt relief by public and private banks.

Law for Creating, Supporting, Promoting and Developing the Microfinancial Business Sector
This Law aims to create, support, promote and develop the microfinancial sector to facilitate the prompt and timely access to financial and non-financial services, to popular community and self-managed associations, family companies, self-employed and unemployed individuals and to any other type of community association that develops or has the intention of developing an economic activity, with the purpose of integrating them to the country's economic and social dynamics.

In addition, the Law on Banking Sector Institutions establishes that banks must earmark 3% of their gross loan portfolio at prior semester closing for microcredits or contributions to institutions that create, support, promote and develop the microfinancial and small business sector in Venezuela.

Through Resolution No. 109-15 of September 24, 2015, SUDEBAN established that banks shall earmark their gross microcredit loan portfolio as follows:

a. Up to 40% to finance commercialization activities.

b. Up to 40% to finance public transportation.

c. No less than 20% to other activities, such as communal services and artisan activities, among others.

According to this Resolution, the Bank has 180 continuous days after its issue date to adjust. This Resolution is effective as from March 30, 2016.

Special Law for Home Mortgagor Protection
This Law requires banks and other financial institutions regulated by the Law on Banking Sector Institutions to grant mortgage loans for acquisition, construction, self-construction, expansion or remodeling of primary residences, based on a percentage of their annual loan portfolio, excluding loans granted under the Housing Loan Law. Under this Law, loans will bear a social interest rate.

The BCV, through an official notice, established special social interest rates applicable as from September 2011 for primary residence mortgages and construction loans, granted or to be granted from the financial institutions' own resources as follows:

a. The maximum annual social interest rate applicable to loans granted under the Special Law for Home Mortgagor Protection is 10.66%.

b. The maximum annual social interest rate applicable to mortgage loans for the acquisition of primary residences, granted or to be granted from the financial institutions' own resources varies between 4.66% and 8.66%, depending on the monthly family income.

c. The maximum annual social interest rate applicable to mortgage loans for the construction of primary residences, granted or to be granted from the financial institutions' own resources is 9.66%.

d. The maximum annual social interest rate applicable to mortgage loans for the improvement, expansion and self-construction of primary residences varies between 4.66% and 6.66%, depending on the monthly family income.

The People's Power Ministry for Housing established that maximum monthly installments for mortgage loan payments shall not exceed 35% of the monthly family income.

Mortgage loans may be granted for up to the full value of the real property pledged, based on its appraisal value and the monthly family income.

On March 9, 2016, Decree No. 2,264, published in Official Gazette No. 40,865, fixed at 20% the minimum percentage of the annual gross loan portfolio to be earmarked by each banking sector institution from its own resources for new mortgages for the acquisition, construction or self-construction of primary residences. At December 31, 2015, this percentage shall be distributed based on the gross loan portfolio at December 31, 2014, taking into account the financed activity and the monthly family income of the loan applicants (Note 6).

The percentage for the construction of residences shall be distributed as follows:

a. 45% to the construction of residences that will be applied by the Higher Authority of the National Housing System through Fondo Simón Bolívar para la Reconstrucción.

b. 15% to short-term loans for the construction of residences.

c. 38% to loans for the acquisition of primary residences.

d. 2% to loans for the self-construction, improvement and expansion of primary residences.

On August 2, 2011, the People's Power Ministry for Housing established the financing conditions for each type of loan regardless of the source of funds. Some of these conditions are: maximum debt capacity of the loan applicant or co-applicant, required guarantees, and the general requirements for the loan applicant and co-applicant. On September 6, 2011, the People's Power Ministry for Planning and Finance set the annual social interest rates at between 1.4% and 4.66%.

On February 5, 2013, the People's Power Ministry for Housing issued Resolutions Nos. 10 and 11 containing the guidelines for granting loans for the self-construction, expansion or improvement of primary residences, as well as the rules for the creation and setting of payment terms for housing loans.

Compliance with and distribution of the aforementioned percentages are measured at December 31 of each year.

Law on Tourism Investments and Loans

The Law on Tourism Investments and Loans was issued on November 17, 2014, and published in Extraordinary Official Gazette No. 6,153 of November 18, 2014. This Law requires the People's Power Ministry for Tourism to fix within the first month of each year the percentage of the gross loan portfolio to be earmarked by banks to finance tourism, which in no event shall be less than 3%. Short, medium and long-term loans must be included in the loan portfolio percentage. The interest rate may only be modified for the benefit of the loan applicant and loans shall be repaid in equal consecutive monthly installments.

In addition, this Law establishes amortization periods between 5 and 15 years depending on the activities to be conducted by loan applicants. This Law also establishes special conditions in respect of terms, interest rates and subsidies, among others, for projects to be executed in tourist areas, potential tourist areas or endogenous tourist development areas.

Furthermore, tourism guarantees are created within the National System for Reciprocal Guarantees for loans granted.

On March 16, 2016, the People's Power Ministry for Tourism established at 5.25% the minimum percentage of the gross loan portfolio to be earmarked by each universal bank to finance tourism at December 31, 2016. This percentage is calculated based on the gross loan portfolio balance at December 31, 2015 and 2014 and must be applied as follows: 2.5% at June 30, 2016 and 5.25% at December 31, 2016 (during the six-month period ended December 31, 2015, minimum percentage of 4.25% of the gross loan portfolio balance at December 31, 2014 and 2013).

Through a Resolution published in Official Gazette No. 40,274 on October 17, 2013, the People's Power Ministry for Tourism established a single voluntary contribution from banks for the purchase of Class "B" shares from Sociedad de Garantías Recíprocas para la Pequeña y Mediana Empresa del Sector Turismo, S.A. (S.G.R. SOGATUR, S.A.). The purpose of this contribution is to pledge small and medium-sized tourist entrepreneurs or service providers, as well as organized communities, to secure repayment of tourism loans granted by banks. The entire purchase of shares will be accounted for as part of the tourism loan portfolio compliance (Notes 5 and 6).

Through a Joint Resolution, published in Official Gazette No. 39,402 on April 13, 2010, the People's Power Ministries for Tourism and for Planning and Finance established the grace periods for tourism loans. These grace periods range from 1 to 3 years depending on the activity that is being financed. Loans for tourism projects to be developed in tourist areas will have the maximum grace periods considering the type of activity to be developed.

Manufacturing loans
The Manufacturing Loan Law published on April 17, 2012 requires the People's Power Ministries in charge of finance and industries to jointly fix within the first month of each year, and with the binding opinion of SUDEBAN and the BCV, the terms, conditions, periods and minimum percentages of the loan portfolio to be earmarked by each universal bank to finance manufacturing activities. In no event shall the minimum percentage fall below 10% of each bank's gross loan portfolio for the immediately prior year.

Through Resolution No. 13-07-03 of July 30, 2013, the BCV established that, as from August 2013, interest on manufacturing loans charged by banks shall not exceed 18% per annum.

Through Joint Resolution No. 053, published in Official Gazette No. 40,457 on July 18, 2014, the People's Power Ministries for Industries and for Economy, Finance and Public Banking established the strategic sectors to which 60% of the manufacturing loan portfolio resources shall be allocated, and a minimum percentage of 40% to finance small and medium-sized companies and communal companies. Measurement and compliance percentage of the manufacturing loan portfolio at December 31 of each year is 10%.

BCV regulations
The BCV has established regulations on lending and deposit rates to be applied by banks and restrictions on certain service fees. It has also established maximum rates to be charged for commissions, fees or surcharges on each type of transaction. In addition, through Resolution No. 13-03-02 of March 26, 2013, the BCV established that banks may only charge their customers for commissions established by this regulatory entity.

Regarding lending rates, the BCV established that banks may not charge for lending operations, except for consumer loans, an annual interest or discount rate higher than the rate periodically set by the BCV's Board of Directors for discount, rediscount, repurchase and advance operations, reduced by 5.5%, except in the case of agricultural, tourism, manufacturing and mortgage loans for primary residences (Note 6). As from June 5, 2009, the annual interest rate to be charged by the BCV on discount, rediscount and advance operations, except as regards operations conducted under special regimes, was set at 29.5%.

Also, through Resolution No. 13-11-02 of November 19, 2013, the BCV established that interest rates to be paid by banks on savings deposits for individuals with daily balances of up to Bs 20,000 shall not be less than 16% per annum, and no less than 12.5% per annum on savings deposits with daily balances higher than Bs 20,000. Interest on savings deposits paid by banks to companies shall not be less than 12.5% per annum, calculated on daily balances, regardless of account balance. In addition, interest rates on time and certificates of deposits, regardless of their term of maturity, shall not be less than 14.5% per annum.

In addition, the BCV established that banks may not charge commissions, fees or surcharges to their customers for transactions, operations or services directly related to savings accounts. Banks may charge a commission amounting to the existing balance of dormant savings and current accounts that have been closed if it is below Bs 1. In addition, banks may not charge commissions, fees or surcharges for operations other than those published by the BCV.

On July 11, 2013, through an official notice, the BCV reissued Resolution No. 12-09-02 of September 6, 2012, regarding commissions, fees and surcharges to be charged by banks to their clients on all transactions and activities covered by this Resolution.

Through this official notice, the BCV also ratified that banks may only charge their customers up to Bs 5 for the second plus savings account books issued in the year. Likewise, the BCV sets monthly maintenance fees at Bs 3 on non-interest-bearing checking accounts (individuals), Bs 4.5 on non-interest-bearing checking accounts (companies), and Bs 5 on interest bearing checking accounts (companies). In addition, the BCV established maximum commissions, fees or surcharges on all transactions covered by the official notice.

The BCV established the maximum discount rates or commissions to be charged by banks to affiliated businesses for authorizing and processing point-of-sale operations through credit, debit and prepaid cards or any other financing or electronic payment instrument.

On June 30, 2016, through an official notice published in Official Gazette No. 40,935, the BCV replaces official notice of July 11, 2013 regarding commissions, fees and surcharges to be charged by banks to their customers on all transactions and activities covered by this official notice. Through this official notice, the BCV also ratified that banks may only charge their customers up to Bs 31 for the second plus savings account books issued in the year. Likewise, the BCV sets monthly maintenance fees at Bs 19 on non-interest-bearing checking accounts (individuals), Bs 28 on non-interest-bearing checking accounts (companies), and Bs 31 on interest bearing checking accounts (companies). In addition, the BCV established maximum commissions, fees or surcharges on all transactions covered by the official notice. This Resolution became effective on July 1, 2016.

Through Resolution No. 10-10-02 issued on June 30, 2011, the BCV reduced by 3 percentage points the 17% minimum legal reserve that banks are required to maintain at the BCV, as per the previous Resolution of October 26, 2010, provided that they use the available resources to purchase instruments issued within the framework of Venezuela's Great Housing Mission. The terms and conditions of these investments will be as established by the BCV.

Through Resolution No. 13-04-01 of April 26, 2013, the BCV ratified that the calculation of the legal reserve to be allocated by financial institutions that purchased Dematerialized Certificates of Participation issued by the Simón Bolívar Fund 2013 will be made in conformity with terms established in Resolution No. 10-10-02.

Resolution No. 14-03-02, issued on March 13, 2014, modifies the legal reserve rules and requires a minimum reserve of 21.5% of total net liabilities, total investments assigned and marginal balance, and 31% of the amount corresponding to the increase of marginal balance.

Through Resolution No. 15-07-01 of July 2, 2015, the BCV ratified that the calculation of the legal reserve to be allocated by financial institutions that purchased Dematerialized Certificates of Participation issued by the Simón Bolívar Fund 2015 will be made in conformity with terms established in Resolution No. 14-03-02.

Through Resolution No. 13-03-01 of March 21, 2013, the BCV established that individuals residing in Venezuela will be allowed to have demand deposits in foreign currency in local banks.

Other regulations

Law for the Advancement of Science, Technology and Innovation

This Law establishes that the country's major corporations will annually earmark 0.5% of gross income generated in Venezuela in the prior year. During the six-month periods ended June 30, 2016 and December 31, 2015, the Bank recorded expenses in this connection of Bs 41,305,440 and Bs 18,779,288, respectively, included under sundry operating expenses (Note 19). In addition, at June 30, 2016, the Bank maintains an advance in this connection of Bs 41,305,440 under other assets, which will be amortized in the second-six-month period of 2016 (Note 12).

In November 2014, the Venezuelan government enacted the Reform of the Law for the Advancement of Science, Technology and Innovation. This legal instrument creates the National Fund for Science, Technology and Innovation (FONACIT), which shall be responsible for managing, collecting, controlling, verifying, and quantitatively and qualitatively determining the contributions for science, technology and innovation and their applications. Likewise, the Reform indicates that taxpayers may apply to use the contributions to science, technology and innovation, provided that they develop annual projects, plans, programs and activities for the priority areas defined by the national authority responsible for matters related to science, technology and innovation and their applications and submit them within the third quarter of each year. Subsequently, within the first quarter of each year, users of the contributions for science, technology and innovation must submit to FONACIT a technical and administrative report of the activities conducted in this connection during the prior year. In addition, these Regulations require the payment and declaration of contributions within the second quarter after the closing of the period in which gross income was generated.

Antidrug Law

The Antidrug Law was published in Official Gazette No. 39,510 on September 15, 2010. This Law requires all private corporations, consortia and business-oriented public entities with 50 or more employees to contribute 1% of their annual operating income to the National Antidrug Fund (FONA) within 60 days of their respective year end. Companies belonging to economic groups will make contributions on a consolidated basis.

FONA shall use these contributions to finance plans, projects and programs for the prevention of illegal drug traffic.

The contributions to FONA shall be distributed as follows: 40% for prevention projects for the contributor's employees and their families; 25% for child welfare protection programs; 25% for antidrug traffic programs and; 10% to finance FONA's operating costs. In addition, companies are required to employ rehabilitated individuals to facilitate their social reintegration.

Resolution No. 004-2011 was published in Official Gazette No. 39,643 on March 28, 2011 to establish the regulations for payment of contributions and special contributions according to the Law.

The Decree-Law for the creation of FONA was modified through Decree No. 9,359, published in Official Gazette No. 40,095 on January 22, 2013. This modification is aimed to adapting and aligning the organizational structure of the Fund, as well as updating and adapting its attributions as a collection entity.

For the six-month periods ended June 30, 2016 and December 31, 2015, the Bank recorded expenses in this connection of Bs 22,202,276 and Bs 22,683,923, respectively, included under sundry operating expenses (Note 19).

Law on Exchange Control Regime and Related Offenses
The Reform of the Law on Exchange Control Regime and Related Offenses was published on December 30, 2015. This Law establishes the parameters for the purchase of foreign currency by individuals and public entities, as well as exchange offenses and applicable penalties and regulates the terms and conditions under which foreign currency administration entities apply the capacities granted thereto by the legal system, in accordance with the exchange agreements established for such purposes, and the guidelines for the execution of this policy. The Law on Exchange Control Regime applies to individuals, public and private companies participating in exchange operations as buyers, managers, intermediaries, verifiers or beneficiaries. This Law defines foreign currency as any currency other than the bolivar, which is the currency of legal tender of the Bolivarian Republic of Venezuela. This definition includes deposits with local and foreign banks and financial institutions, transfers, bank checks and notes, securities, as well as any other asset or liability denominated or that may be realized or settled in foreign currency under the terms established by the BCV and according to the Venezuelan legal system.

Under this Law, an exchange operation is the trading in bolivars of any foreign currency through companies authorized by rules specifically issued by the BCV to this effect, which have complied with the requirements established by the competent authority and operate in the exchange market. An exchange market is the place or mechanisms established by the competent authorities in which, in an orderly manner, concur bidders and buyers to trade foreign currency at the exchange rates applicable in accordance with regulations issued in this connection.

Under this Law, the National Foreign Trade Center (CENCOEX) shall assign and supervise foreign currency, including but not limited to, cover expenses from public powers and to meet society’s essential requirements, such as goods and services declared of prime necessity, i.e. drugs, food, housing and education.

Foreign currency trading shall be conducted under the terms and conditions provided in the exchange agreements governing these mechanisms, as well as other standards enacted in the development thereof, and the respective auction notices. Without prejudice to the access to mechanisms administered by the competent authorities of the exchange control regime through CENCOEX, individuals and companies may purchase foreign currency through foreign currency operations offered by: individuals and private companies, Petróleos de Venezuela, S.A. (PDVSA), the BCV and state banks.

Law against Organized Crime and Terrorism Financing
The Law against Organized Crime and Terrorism Financing was published in Official Gazette No. 39,912 on April 30, 2012 to prevent, investigate, prosecute, typify and punish offenses involving organized criminal groups and terrorism.

Sports and Physical Education Law

The Sports and Physical Education Law was passed on August 23, 2011. This Law seeks to regulate physical education and the sponsorship, organization and management of sporting activities as public services. Companies subject to this Law must contribute 1% of their net or accounting income to the activities contemplated therein. Subsequently, the first Partial Regulations to this Law were published on February 28, 2012 to establish the method for declaring and paying this contribution, the former within 190 days of period end. Through Circular SIB-II-GGR-GNP-12159 of May 4, 2012, SUDEBAN established regulations on how this contribution must be paid and recorded.

During the six-month periods ended June 30, 2016 and December 31, 2015, the Bank recorded expenses in this connection of Bs 17,252,809 and Bs 13,518,662, respectively, included within sundry operating expenses (Note 19).

New Labor Law

The new Labor Law (LOTTT) was published in Official Gazette No. 39,916 on May 7, 2012. This Law incorporates certain changes to the previous Labor Law (LOT) of June 19, 1997 and its Reform of May 6, 2011, particularly with respect to the calculation of certain employee benefits, such as vacation bonus, profit sharing, maternity leave, and the retrospective accrual of length-of-service benefits. In addition, the LOTTT reduces working hours and extends job security for parents. This Law became effective upon its publication in the Official Gazette.

Through Notice SIB-II-GGR-GNP-38442 of November 27, 2012, SUDEBAN clarified that, in accordance with the Accounting Manual, banks must apply International Accounting Standards as supplemental guidance for issues not treated in said Accounting Manual, prudential regulations or prevailing accounting principles generally accepted in Venezuela issued by the Venezuelan Federation of Public Accountants (FCCPV). SUDEBAN also indicated that the methodology used to determine this liability must be applied consistently, must be contemplated in the Bank's rules and policies, and must be approved by the Board of Directors. As reflected in Minutes No. 218 of the Board of Directors' Meeting on February 6, 2013, the Bank will use a simplified calculation, which has been duly approved, to determine its liability with respect to length-of-service benefits (Note 2-j).

2. Basis of preparation

The accompanying financial statements at June 30, 2016 and December 31, 2015 have been prepared based on the accounting rules and instructions of SUDEBAN included in the Accounting Manual, which differ in certain material respects from generally accepted accounting principles (VEN NIF) published by the FCCPV, of mandatory application in Venezuela as from January 1, 2008. VEN NIF are mainly based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), except for certain criteria concerning adjustments for inflation and the valuation of foreign currency assets and liabilities, among others.

Through Resolution No. 648.10 of December 28, 2010, SUDEBAN deferred the presentation of consolidated or combined financial statements prepared under VEN NIF as supplementary information and established that, until otherwise stated, consolidated or combined financial statements and their notes must continue to be presented as supplementary information in accordance with generally accepted accounting principles in effect at December 31, 2007 (VEN GAAP).

At June 30, 2016 and December 31, 2015, the main differences identified by management between the accounting rules and instructions of SUDEBAN and VEN NIF that affect the Bank are the following:

1) VEN NIF Adoption Bulletin No. 2 (BA VEN NIF 2) establishes criteria for applying International Accounting Standard No. 29 (IAS 29) "Financial reporting in hyperinflationary economies" in Venezuela and requires that the effects of inflation on the financial statements be recognized, provided that inflation for the year exceeds one digit. SUDEBAN has stipulated that inflation-

adjusted financial statements must be provided as supplementary information. Through Circular SIB-II-GGR-GNP-18441 of June 23, 2016, SUDEBAN indicated that the presentation of supplementary financial statements prepared under generally accepted accounting principles in effect at December 31, 2007 (VEN GAAP) and inflation-adjusted financial statements for the six-month period ended June 30, 2016 is deferred until requested by SUDEBAN.

2) Accounting practices used by banks require commissions receivable on loans to be recorded as income when collected. In addition, interest on current and rescheduled loans collectible after 6 months or more is recorded as deferred income under accruals and other liabilities when earned and as income when collected. In conformity with VEN NIF, commissions receivable on loans should be recorded as income over the term of the loan and should be initially recognized as part of the loan value. Interest is recorded as income when earned.

3) The Accounting Manual establishes that interest earned on overdue or in-litigation loans shall not be recognized as income but shall be recorded under memorandum accounts, as shall all subsequent interest earned. VEN NIF establish that for financial instruments carried at amortized cost, the amount of the impairment is the difference between the instrument's carrying amount and the present value of estimated future cash flows generated by the instrument, discounted at the original effective interest rate. Impairment exists when the present value of an instrument's future cash flows is lower than the carrying amount, in which case interest income shall be recognized taking into account the discount rate applied to future cash flows for determining impairment losses.

4) The Accounting Manual establishes that loans whose original repayment schedule, term, or other conditions have been modified at the request of the debtor must be reclassified within rescheduled loans. VEN NIF provide no specific guidance. However, they do state that impairment losses on financial assets carried at amortized cost shall be charged to the results for the period in which they are incurred.

   In addition, the Accounting Manual establishes that loans classified as overdue must be written off within 24 months after inclusion in this category. Loans in litigation must be fully provided for after 24 months in the in-litigation category. In addition, overdue monthly loan installments that have been repaid must be classified to the category to which they pertained before being classified as overdue. Likewise, when a debtor repays pending loan installments of a loan in litigation, thereby terminating the lawsuit, the loan must be reclassified to the category to which it pertained before being classified as in litigation or overdue. According to VEN NIF, accounts receivable are recorded based on their recoverable amount.

5) At June 30, 2016 and December 31, 2015, the Bank, in conformity with SUDEBAN rules, maintains a general 1% allowance of the loan portfolio balance, except for the balance of the microcredit portfolio, for which it maintains a general 2% allowance. It also maintains a countercyclical allowance of 0.75%. VEN NIF require that the Bank first assess whether objective evidence of impairment exists individually for loans that are individually significant, or collectively for loans that are not individually significant. Impairment losses shall be recognized in the results for the period.

6) In conformity with SUDEBAN rules, the Bank sets aside the general and countercyclical allowance for the loan portfolio with a charge to the results for the period. VEN NIF require that these allowances be recorded as a restricted amount of retained earnings in equity, provided that they do not meet conditions established in IAS 37, "Provisions, contingent liabilities and contingent assets."

7) In accordance with SUDEBAN prudential rules, investments in trading securities may not remain in this category for more than 90 days after they have been classified. In conformity with VEN NIF, these investments may remain in this category indefinitely.

8) In accordance with SUDEBAN prudential rules, investments in available-for-sale securities may not remain in this category indefinitely after they have been classified. In conformity with VEN NIF, investments in available-for-sale securities may remain in this category indefinitely.

9) Discounts or premiums on held-to-maturity investments are amortized over the term of the security with a debit or credit to gain or loss on investment securities under other operating income or other operating expenses, respectively. In conformity with VEN NIF, discounts or premiums must be accounted for as part of the security's yield and, therefore, must be recognized under interest income.

10) Subsequent recoveries of permanent losses arising from impairment in the fair value of investment securities do not affect the new cost basis. VEN NIF allow recovery of impairment losses on debt securities.

11) The Accounting Manual establishes timeframes to record provisions for bank reconciling items, matured securities, pending items and accounts receivable forming part of other assets, loan portfolio interest suspension, interest receivable and recognition of certain assets, among others. VEN NIF do not establish timeframes for creating provisions for these items; provisions are recorded based on best estimates of collection or recovery.

12) The Accounting Manual establishes that transfers between investment categories or sales of investments for reasons other than those established in said Accounting Manual must be authorized by SUDEBAN. The sale or transfer of held-to-maturity investments shall not be considered to be inconsistent with their original classification under the following circumstances:

    a) A significant deterioration in the issuer's creditworthiness;

    b) A change in tax law that eliminates or reduces the tax-exempt status of interest on the debt security;

    c) A major business combination or major disposition that necessitates the sale or transfer of the security to maintain the enterprise's existing interest rate risk position or credit risk policy;

    d) A change in statutory or regulatory requirements significantly modifying either what constitutes a permissible investment or the maximum level of investments in certain kinds of securities;

    e) A significant increase by the regulator in the industry's capital requirements; and

    f) A significant increase in the risk weights of debt securities used for regulatory risk-based capital purposes. Changes in circumstances and other events that are isolated, nonrecurring and unusual and that could not have been reasonably anticipated may cause an entity to sell or transfer held-to-maturity investments without calling into question the entity's intent to hold other securities to maturity.

    According to VEN NIF, if an entity sells or reclassifies more than an insignificant proportion of held-to-maturity investments before maturity, the entity may not classify any financial asset as held to maturity for two years from the date the sale or transfer occurred. In addition, any remaining held-to-maturity securities must be reclassified as available for sale and measured at fair value.

13) In accordance with SUDEBAN rules, available-for-sale assets reclassified to the held-to-maturity category are recorded at their fair value at the reclassification date. Unrealized gains or losses are maintained separately in equity and are amortized over the investment's remaining life as an adjustment to yield.

In conformity with VEN NIF, the fair value of the investment at the reclassification date becomes the new amortized cost basis, and any gain or loss previously recognized in equity is accounted for as follows: a) gains or losses on fixed maturity investments, as well as any difference between the new amortized cost and value at maturity, are taken to profit and loss and amortized over the investment's remaining life and; b) gains or losses on non-maturing investments will remain in equity until the asset is sold or otherwise disposed of, when it shall be recognized in profit or loss. Any subsequent impairment losses recorded in equity shall be recognized in the results for the period.

14) Assets received as payment are recorded at the lower of cost and market value and amortized using the straight-line method over 1 to 3 years. Idle assets must be written out of asset accounts after 24 months. In accordance with VEN NIF, assets received as payment are stated at the lower of cost and market value, and are classified as available-for-sale assets or investment property depending on their use. Investment properties are depreciated over their expected income-generating term.

15) The Accounting Manual establishes that property and equipment is initially recorded at acquisition or construction cost, as applicable. However, VEN NIF allow property and equipment to be revalued, and any increase in value is credited to equity under revaluation surplus.

16) Significant leasehold improvements are recorded as amortizable expenses and included under other assets. According to VEN NIF, they must be shown as part of property and equipment. Gains or losses on the sale of personal and real property are shown in the income statement.

17) The Bank computes a deferred tax asset or liability in respect of temporary differences between the tax base and carrying amounts in the financial statements, except for provisions for losses on other than high risk or unrecoverable loans, which generate a deferred tax asset. A deferred tax asset is not recognized for any amount exceeding future taxable income. In accordance with VEN NIF, a deferred tax asset is recognized in respect of all temporary differences between the carrying amount of assets and liabilities and their tax bases, provided that its realization is assured beyond any reasonable doubt.

18) Other assets also include deferred personnel, general, administrative and operating expenses related to the acquisition of Stanford Bank, S.A., which will be amortized over 15 years as from January 1, 2010 (Note 11). In accordance with VEN NIF, these types of costs may not be deferred and must be recorded in the income statement as incurred.

19) Other assets include the difference between the purchase price and the book value of Stanford Bank's assets and liabilities, which will be amortized using the straight-line method over 15 years. According to VEN NIF, goodwill should not be amortized but tested for impairment annually or whenever events or circumstances indicate that the value of the respective reporting unit may be impaired. Impairment is determined by comparing the carrying amount of the cash generating unit to its recoverable amount, and if the carrying amount exceeds the recoverable amount, an impairment loss is recognized in the income statement.

20) At June 30, 2016 and December 31, 2015, other assets include deferred expenses of Bs 19,510 and Bs 78,039, respectively, related to disbursements for the new chip-based credit and debit cards. These disbursements include advisory, training and other personnel expenses, advertising, and client education on the adequate use of electronic payment services, accommodation of physical spaces, and replacement of debit and credit cards. They will be amortized beginning January 2011 using the straight-line method (Note 12). In accordance with VEN NIF, these expenses may not be deferred but must be recorded in the income statement when incurred.

21) SUDEBAN rules require foreign currency balances and transactions to be measured at the prevailing official exchange rate established by the BCV of Bs 9.975/US$1 at June 30, 2016 and

Bs 6.8242/US$1 at December 31, 2015. In conformity with VEN NIF, foreign currency balances and transactions shall be measured and recorded taking into consideration a comprehensive assessment of the entity's financial position, its monetary position in foreign currency and the financial impact of the applicable exchange regulations. In addition, instructions issued by the FCCPV on this matter state that:

- Foreign currency items shall be measured: a) at the official exchange rates established in the different exchange agreements issued by the BCV and the Venezuelan government, or b) on the basis of best estimates of future cash flows in bolivars expected to be required or received to settle liabilities or realize assets at the transaction or balance sheet date, using the exchange or settlement mechanisms permitted under Venezuelan law.

- Foreign currency assets required to be sold to the BCV must be measured at the official exchange rates established by the BCV.

- Foreign currency assets not required to be sold to the BCV must be measured: a) on the basis of the liabilities that are not reasonably expected to be settled with foreign currency purchased from the Venezuelan government at the official exchange rate, or b) on the basis of best estimates of future cash flows in bolivars expected to be received to realize these assets at the transaction or balance sheet date, using the exchange or settlement mechanisms permitted under Venezuelan law.

22) SUDEBAN established that gains or losses resulting from foreign exchange fluctuations must be recorded in equity. Under VEN NIF, gains and losses resulting from foreign exchange fluctuations must be recorded in the income statement for the period in which they occur.

23) SUDEBAN established the rules to record net benefits obtained by financial institutions from transactions as bidders through the Marginal Foreign Exchange System (SIMADI) indicating that these benefits shall be recorded in equity. Under VEN NIF, realized gains or losses resulting from the trading of financial instruments must be recorded in the income statement for the period in which they occur. During the six-month periods ended June 30, 2016 and December 31, 2015, the Bank recorded in equity a net gain on sale of foreign currency assets through SIMADI of Bs 729,874,147 and Bs 509,056,750, respectively.

24) SUDEBAN established that expenses incurred in relation to the contribution to the National Community Council Fund provided in Article No. 46 of the Law on Banking Sector Institutions shall be recorded as a prepaid expense within other assets and amortized during the six-month period in which the contribution was paid. Under VEN NIF, this contribution must be expensed as incurred.

25) SUDEBAN established that expenses incurred in relation to the contribution under the Sports and Physical Education Law shall be expensed when paid. Under VEN NIF, this contribution must be expensed as incurred.

26) For purposes of the cash flow statement, the Bank considers as cash equivalents cash and due from banks. VEN NIF consider as cash equivalents investments and deposits maturing within 90 days.

27) The Accounting Manual establishes that transactions with derivative instruments, whose contractual rights and obligations will be exercised in the future, shall be classified as memorandum accounts under contingent debtor accounts until they materialize. VEN NIF establish that these contractual rights and obligations shall be recognized in the balance sheet as assets and liabilities, respectively, provided that these transactions meet the conditions established in IFRS 9 "Financial instruments."

The accounting policies followed by the Bank are:

a) Foreign currency
Foreign currency balances and transactions are recorded at the official exchange rate in effect at the transaction date. Foreign currency balances at June 30, 2016 and December 31, 2015 are shown at the official exchange rate of Bs 9.975/US$1 and Bs 6.2842/US$1, respectively.

The Bank does not engage in hedging activities in connection with its foreign currency balances and transactions. The Bank is also exposed to foreign exchange risk.

Through Resolution No. 074.16 of April 7, 2016, SUDEBAN established that: a) gains resulting from changes in the official exchange rate must be recorded in equity and may only be used, subject to previous approval, to offset losses, create contingency provisions for assets, offset deferred expenses (including goodwill), increase capital stock (Note 23), and b) exchange gains and losses arising from exchange fluctuations of the U.S. dollar with respect to other foreign currencies are recorded in net results for the period (Notes 18 and 19).

b) Consolidation and translation of financial statements in foreign currency
The accompanying consolidated financial statements include the accounts of Banco Nacional de Crédito, C.A., Banco Universal and its Curacao Branch.

Assets, liabilities and results of the Branch are consolidated in the Bank's financial statements. The capital allocated to the Branch by the Bank is eliminated against the Branch's equity, as well as all other accounts with intra-group balances. The Branch's financial statements are in accordance with SUDEBAN's presentation rules.

Assets and liabilities, and income accounts of the Branch were translated at the official exchange rate of Bs 9.975/US$1 and Bs 6.2842/US$1, respectively, at June 30, 2016 and December 31, 2015.

c) Investment securities
Investment securities are classified upon acquisition, based on their intended use, as deposits with the BCV and overnight deposits, investments in trading securities, investments in available-for-sale securities, investments in held-to-maturity securities, restricted investments and investments in other securities.

All transfers between different investment categories or sales of investments under circumstances other than those established in the Accounting Manual must be authorized by SUDEBAN.

Deposits with the BCV and overnight deposits
Excess liquidity deposited at the BCV, overnight deposits and debt securities issued by Venezuelan financial institutions maturing within 60 days are included in this account.

Investments in trading securities
Investments in trading securities are recorded at fair value and comprise investments in debt and equity securities which may be converted into cash within 90 days of their acquisition. Unrealized gains or losses resulting from differences in fair values are included in the income statement. Gains and losses from fluctuations in the exchange rate are included in equity.

These securities, regardless of their maturity, must be negotiated and written out of this account within 90 days of their classification, i.e., they may not remain in this category for more than 90 days.

Investments in available-for-sale securities
Investments in available-for-sale debt and equity securities are recorded at fair value and unrealized gains or losses, net of income tax, resulting from differences in fair value are included in equity. If investments in available-for-sale securities correspond to instruments denominated in foreign currency, the fair value will be determined in foreign currency and then translated at the official exchange rate in effect. Gains or losses from fluctuations in the exchange rate are included in equity. Permanent losses from impairment in the fair value of these investments are recorded in the income statement under other operating expenses for the period in which they occur. Any subsequent recovery in fair value is recognized as an unrealized gain, net of income tax, in equity (Note 5-a).

These investments may not remain in this category for more than one year, except for securities issued and guaranteed by the Venezuelan government and investments in shares of mutual guarantee companies.

Investments in held-to-maturity securities
Investments in debt securities that the Bank has the firm intention and ability to hold until maturity are recorded at cost, which should be consistent with market value at the time of purchase, subsequently adjusted for amortization of premiums or discounts. Discounts or premiums on acquisition are amortized over the term of the securities as a credit or debit to other operating income and other operating expenses. The book value of investments denominated in foreign currency is adjusted at the exchange rate in effect at period end. Gain and losses from fluctuations in the exchange rate are included in equity.

The Bank assesses monthly, if circumstances require it, whether there is any objective evidence that a financial asset or group of financial assets is impaired. An impairment in the fair value of held-to-maturity securities is charged to the results for the period when management considers that it is other than temporary. Certain factors identified as indicators of impairment are: 1) a prolonged period where fair value remains substantially below cost, 2) the financial difficulty of the issuer, 3) a fall in the issuer's credit rating, 4) the disappearance of an active market for the security, and 5) the Bank's intention and ability to hold the investment long enough to allow for recovery of fair value, among others. For the six-month periods ended June 30, 2016 and December 31, 2015, the Bank has identified no unrecorded permanent impairment in the value of its investments (Note 5-b).

Sales or transfers of investments in held-to-maturity securities do not affect the original intention for which these securities were acquired when: a) the sale occurs so close to their maturity date that interest rate risk is extinguished (i.e., changes in market interest rates will not significantly affect the realizable value of the investment), or b) the sale occurs after the entity has collected a substantial portion (more than 85%) of the outstanding principal at the transaction date, in addition to all other conditions established in the Accounting Manual.

Restricted investments
Restricted investments originating from other investment categories are measured using the same criteria used to record those investments from which they are derived. Securities or loans which the Bank contractually sells and commits to repurchase at an agreed date and price, i.e., for which the Bank acts as the reporting entity, are valued using the same criteria as for investments in trading securities.

Investments in other securities
Investments in other securities include investment trusts, as well as investments not classified under any of the aforementioned categories.

The Bank uses the specific identification method to determine the cost of securities and this same basis to calculate realized gains or losses on the sale of trading or available-for-sale securities.

d) Loan portfolio

Commercial loans and term, mortgage and credit card loan installments are classified as overdue if repayment is more than 30 days past due. In conformity with SUDEBAN rules, advances on negotiated letters of credit are classified as overdue if not repaid within 270 days after they were granted by the Bank. Furthermore, when any related installment is more than 90 days past due, the entire principal balance is classified as overdue.

In addition, the entire balance of microcredits, payable in weekly or monthly installments, is considered past due if repayment of at least one weekly installment is 14 days overdue or one monthly installment is 60 days overdue. Rescheduled loans are those whose original repayment schedule, term, or other conditions have been modified based on a refinancing agreement and certain terms and conditions set out in the Accounting Manual. Loans in litigation are those in the legal collection process.

Loans classified as overdue must be written off within 24 months after inclusion in this category. Loans in litigation must be fully provided for after 24 months in the in-litigation category. In addition, overdue monthly loan installments that have been repaid must be reclassified to the category to which they pertained before being classified as overdue. Likewise, when an individual repays pending loan installments of a loan in litigation, thereby terminating the lawsuit, the Bank must reclassify the loan to the category to which it pertained before being classified as in litigation or overdue.

e) Use of estimates in the preparation of financial statements

The preparation of financial statements, in conformity with SUDEBAN rules, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of income and expenses during the reporting period. Actual results may differ from those estimates. Below is a summary of the main estimates used in the preparation of the financial statements:

Investment securities

The Bank calculates the market value of securities based on prices published by the valuation systems that group the reference prices of the entire financial market. When reference prices are not available in these valuation systems or when prices are 30 continuous-days or older, the Bank applies the present value (yield curve), using the calculation methodologies approved by the Risk Committee and the Board of Directors.

Investment securities and interest not collected 30 days after maturity date are provided for in full.

Allowance for losses on loan portfolio and provision for contingent loans

The Bank performs a quarterly review of at least 90% of its loan portfolio and contingent loans to determine the specific allowance for possible losses on each loan. This review takes into account factors such as economic conditions, client credit risk and credit history. Moreover, each quarter the Bank calculates an allowance for losses on loans not individually reviewed, equivalent to the risk percentage resulting from the specific review of loans. In accordance with SUDEBAN rules, the Bank maintains a general 1% allowance of the loan portfolio balance, except for the balance of the microcredit portfolio, for which it maintains a general 2% allowance, and an additional countercyclical allowance of the gross loan portfolio balance of 0.75%. The Bank may set aside any additional general allowances deemed necessary. Allowances may not be released without the authorization of SUDEBAN.

Provision for other assets

The Bank assesses collectibility of items recorded under other assets using the same criteria, where applicable, as those applied to the loan portfolio. Furthermore, the Bank sets aside provisions for those items that require them due to their nature or aging.

Provision for legal and tax claims
The Bank sets aside a provision for legal and tax claims considered probable and reasonably quantifiable based on the opinion of its legal advisors. Based on this opinion, management believes that the outcome of legal and tax claims outstanding at June 30, 2016 and December 31, 2015 will be favorable to the Bank (Note 28). However, this opinion is based on events to date; the outcome of these lawsuits could differ from that expected.

f) Available-for-sale assets
Personal and real property received as payment is recorded at the lower of assigned value, book value, market value or appraisal value not older than one year, and is amortized using the straight-line method over 1 to 3 years, respectively. The remaining available-for-sale assets are recorded at the lower of cost and realizable value. Gains or losses from the realization of available-for-sale assets are included in the income statement.

Other available-for-sale assets and assets idle for more than 24 months are written out of asset accounts.

g) Property and equipment
Property and equipment is recorded at cost, net of accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Significant leasehold improvements are recorded as amortizable expenses and included under other assets. Gains or losses on the sale of personal and real property are shown in the income statement.

h) Deferred expenses
Deferred expenses mainly include start-up, leasehold improvement, and software license costs. These expenses are recorded at cost, net of accumulated amortization. Amortization is calculated using the straight-line method over 4 years.

Deferred expenses related to the Stanford Bank, S.A. merger shall be amortized using the straight-line method over 15 years as from January 2010 (Notes 11 and 12).

The difference between the purchase price and the book value of Stanford Bank, S.A.'s assets and liabilities is amortized using the straight-line method over 15 years as from June 2009 (Notes 11 and 12).

Deferred expenses related to the project for the new chip-based credit and debit cards will be amortized using the straight-line method over 1 to 6 years as from January 2011 (Note 12).

i) Income tax
The Bank's tax year ends on December 31. The tax provision is based on management's projection of tax results. The Bank records a deferred tax asset when, in the opinion of management, there is reasonable expectation that future tax results will allow its realization. In addition, according to the Accounting Manual, the amount by which the deferred tax asset exceeds tax expense for the year is not recognized. The Bank records deferred tax liability when credit items are maintained resulting from the tax effect of discrepancies regarding the time of recognition of results (temporary differences), according to accounting and tax criteria (Note 17).

j) Employee benefits
A new collective labor agreement was signed in December 2013, which will be in effect as from January 2014 until December 2016.

Accrual for length-of-service benefits
Based on the provisions of the LOTTT and the prevailing Collective Labor Agreement, employees are entitled to length-of-service benefits (Note 1). Under the LOTTT, length-of-service benefits are calculated based on the last salary earned by the employee upon employment termination.

At June 30, 2016 and December 31, 2015, length-of-service benefits are calculated based on the provisions of the LOTTT and paid as follows:

a) The Bank accrues guaranteed length-of-service benefits equivalent to 15 days of salary per quarter, up to a maximum of 60 days per year of service, calculated based on the last salary earned by the employee at each quarter closing. Length-of-service benefits are mandatory after the first month of uninterrupted service. After the second year of service the Bank accrues for each employee 2 additional days of salary per year of service (or any portion over 6 months), up to a maximum of 30 days of salary (guarantee fund).

b) In the event of termination of employment, for whichever reason, the Bank calculates length-of-service benefits based on 30 days of salary per year of service or any portion over 6 months, considering the average salary earned by the employee (retrospective calculation) or the last salary earned when this is higher.

   Guaranteed length-of-service benefits are calculated and deposited monthly in individual trust funds on behalf of each employee.

c) Employees receive the higher of total amounts accrued in the guarantee fund as described in a) above and the amount calculated upon termination of employment as described in b) above.

Employees' last salary, termination date and total amounts to be accrued in connection with each employee are all uncertainties at each period end. At June 30, 2016 and December 31, 2015, employee salaries may differ from future salaries due to changes in salaries, bonuses and other payments.

During the six-month periods ended June 30, 2016 and December 31, 2015, the effect of the retrospective scheme was determined using a non-actuarial calculation, which consisted in determining length-of-service benefits as described in b) above. An additional expense and an additional liability were recognized for employees whose benefits in the guarantee fund are less than the amount calculated using the retrospective scheme. At June 30, 2016 and December 31, 2015, this additional liability amounted to Bs 504,150,724 and Bs 233,229,786, respectively, included under accruals and other liabilities (Note 16).

Under certain conditions, the LOTTT provides for an additional indemnity for unjustified dismissals for double the amount of length-of-service benefits, which is charged to the income statement upon payment as it is considered a benefit for termination of employment, in accordance with applicable accounting regulations.

At June 30, 2016 and December 31, 2015, the method used by the Bank to calculate length-of-service benefits comply with the provisions set out by SUDEBAN, the LOTTT and the prevailing Collective Labor Agreement.

The Bank does not have a pension plan or other post-retirement benefit programs for its employees; it does not grant stock purchase options.

Profit sharing
Under the Collective Labor Agreement, the Bank is required to pay a share of its annual profits to its employees of up to 150 days of salary. Expenses incurred in this connection during the first six-month period of each year are paid in April and July, and the remaining liability in November. For the six-month periods ended June 30, 2016 and December 31, 2015, the Bank has recorded Bs 234,689,928 and Bs 141,843,616, respectively, in this connection, shown under salaries and employee benefits. The Bank accrues amounts accordingly (Note 16).

Vacation leave and vacation bonus

The LOTTT and the Collective Labor Agreement grant each employee a minimum of 15 days of vacation leave each year and a vacation bonus of 20 days of salary based on length of service. The Bank accrues amounts accordingly (Note 16).

k) Recognition of revenue and expenses

Interest on loans, investments and accounts receivable is recorded as income when earned by the effective interest method, except: a) interest receivable more than 30 days overdue, b) interest on loans overdue or in litigation, or loans classified as real risk, high risk or unrecoverable, and c) overdue interest, all of which are recorded as income when collected.

Interest collected in advance is included under accruals and other liabilities as deferred income and recorded as income when earned (Note 16).

Interest on current and rescheduled loan portfolios collectible after 6 months or more is recorded as deferred income under accruals and other liabilities when earned and as income when collected (Note 16).

Commissions from loans granted are recorded as income upon collection under income from loan portfolio.

Income from financial leases and amortization costs of leased property are shown net in the income statement as interest income from the loan portfolio.

Interest on customer deposits, liabilities and borrowings is recorded as interest expense when incurred using the effective interest method.

l) Residual value

Residual value is the estimated value of assets upon termination of the financial lease. The Bank recognizes residual value as income when collected.

m) Assets received in trust

Assets received in trust are valued using the same parameters used by the Bank to value its own assets, except for investment securities, which are shown at cost and subsequently adjusted for amortization of premiums or discounts. Any permanent impairment in the value of these investments is recorded in trust fund results for the period in which it occurs. During the six-month periods ended June 30, 2016 and December 31, 2015, no permanent losses were identified.

n) Net income per share

Basic net income per share has been determined by dividing net income for the six-month period by the weighted average of shares outstanding during the period.

o) Cash flows

For purposes of the cash flow statement, the Bank considers as cash equivalents, cash and due from banks.

p) Use of financial instruments

The Bank is mainly exposed to credit, foreign exchange, market, interest rate, liquidity and operational risks. Below is the risk policy used by the Bank for each type of risk:

Credit risk

The Bank assumes exposure to credit risk when a counterparty is unable to pay off its debts at maturity.

The Bank monitors credit risk exposure by regularly analyzing payment capabilities of its borrowers. The Bank structures the level of credit risk by establishing limits for individual and group borrowers.

The Bank requests fiduciary or mortgage guarantees, collateral or certificates of deposit after assessing specific borrower characteristics.

Foreign exchange risk
Foreign exchange risk arises from fluctuations in the value of financial instruments due to changes in foreign currency exchange rates. The Bank's transactions are mainly in bolivars. However, when the Bank identifies short or medium-term market opportunities, investments might be deposited in foreign currency instruments, mainly in U.S. dollars.

Market risk
The Bank assumes exposure to market risk. Market risk arises from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements.

The Bank evaluates market risk on a regular basis and the Board of Directors sets limits on the level of risk concentration that may be assumed, which is regularly supervised.

Interest rate risk
The Bank assumes exposure from the effects of fluctuations in market interest rate levels on its financial position and cash flows.

Interest margins may increase as a result of such changes but may diminish or lead to losses in the event of unexpected movements.

The Bank analyzes its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Bank calculates the impact on profit and loss of a given interest rate shift.

Simulations are performed regularly. Based on various scenarios, the Bank manages its cash flow interest rate risk.

Liquidity risk
The Bank reviews on a daily basis its available cash resources, overnight deposits, current accounts, maturing deposits and loans, as well as its guarantees and margins.

The Bank's investment strategy is aimed at guaranteeing an adequate liquidity level. The investment portfolio mainly includes securities issued by the Bolivarian Republic of Venezuela and other highly liquid obligations.

Operational risk
The Bank considers exposure to operational risk arising from direct or indirect losses that result from inadequate or defective internal processes, human error, system failures or external events.

The structure used by the Bank to measure operational risk is based on a qualitative and quantitative approach. The first identifies and analyzes risks before related events occur; the second mainly relies on the analysis of events and experiences gained from them.

Fiduciary activities
The Bank acts as custodian, administrator and manager of third-party investments. As a result, in certain cases, the Bank purchases and sells a wide range of financial instruments. These trust fund assets are not included in the Bank's assets. At June 30, 2016, trust fund assets amount to Bs 5,020,694,030 (Bs 3,783,092,664 at December 31, 2015), shown under memorandum accounts (Note 21).

3. Cash and due from banks

At June 30, 2016, the balance of the account with the BCV mainly includes Bs 47,014,817,472 in respect of the legal reserve deposit in local currency (Bs 33,019,449,967 at December 31, 2015) (Note 27).

In addition, at June 30, 2016, the account with the BCV includes Bs 8,705,129,718 (Bs 9,163,926,228 at December 31, 2015), in respect of demand deposits held by the Bank at the BCV and US$4,295,463, equivalent to Bs 42,847,241, in respect of deposits received in accordance with Exchange Agreement No. 20 (US$5,185,865, equivalent to Bs 32,589,011, at December 31, 2015) (Notes 4 and 13).

At June 30, 2016, the Bank has US$21,000, equivalent to Bs 209,475 (US$21,000, equivalent to Bs 131,968, at December 31, 2015), in connection with brokerage in the purchase and sale of foreign currency through the Supplementary Foreign Currency Administration System (SICAD). This amount is yet to be transferred to the parties awarded (Notes 4 and 16).

At June 30, 2016 and December 30, 2015, pending cash items relate to clearinghouse operations conducted by the BCV and other banks.

4. Foreign currency assets and liabilities

a) Exchange control regime

Since February 2003, the Venezuelan government established an exchange control regime managed by CENCOEX, which was created in January 2014 and replaced the Commission for the Administration of Foreign Currency (CADIVI).

Purchases in bolivars of securities in foreign currency issued by the Bolivarian Republic of Venezuela, whose trading had been suspended, were regulated in July 2003.

In March 2013, the BCV established SICAD, a foreign currency auction system through which individuals and companies may offer and purchase foreign currency when convened by the BCV, taking into consideration the Nation's objectives and economic needs.

As from December 2013, the BCV has published the official SICAD exchange rate, which serves as a reference rate to submit bids for the purchase or sale of foreign currency through this system and to establish the currency trading price for individuals not residing in Venezuela, Petróleos de Venezuela, S.A. and other oil-sector companies. At December 31, 2015, the SICAD exchange rate was Bs 13.50/US$1. On March 9, 2016, the Venezuelan government and the BCV published Exchange Agreement No. 35 in Official Gazette No. 40,865, repealing the aforementioned rate.

The Venezuelan government and the BCV published Exchange Agreement No. 33 in Extraordinary Official Gazette No. 6,171 on February 10, 2015. This Agreement establishes that foreign currency transactions conducted through SIMADI refer to the trading in bolivars of cash and securities in foreign currency issued by the Bolivarian Republic of Venezuela, its decentralized agencies or any other issuer, whether public or private, foreign or local, registered and quoted on the international markets. Under this Exchange Agreement, banks, exchange offices, authorized securities dealers and the Bicentennial Public Stock Exchange may participate as exchange brokers.

In addition, this Exchange Agreement establishes that the exchange rates for the trading of foreign currency will be set by the parties involved in the transaction. The BCV shall publish on a daily basis on its web page the reference exchange rate corresponding to the weighted average exchange rate of operations transacted during the day on the markets. At December 31, 2015, the exchange rate of the foreign currency auction held through SIMADI was Bs 198.2018/US$1.

The Venezuelan government and the BCV enacted Exchange Agreement No. 35 in Official Gazette No. 40,865 on March 9, 2016. This Agreement establishes the protected foreign exchange rate (DIPRO) at Bs 9.975/US$1 (purchase) and Bs 10/US$1 (sale), for the imports of the food and health sectors, raw materials and supplies for the production of these sectors, pensions for the old-age population, partial disability, disability and survivor's pension paid by the Venezuelan Social Security Institute, expenses for recovery of health, sports, culture, scientific research, and expenses required by the public-sector entities in conformity with Exchange Agreement No. 11, among others. The accounting effect of this measurement resulted in a gain at June 30, 2016 of Bs 235,306.988, which is shown in equity under exchange gain from holding foreign currency assets and liabilities.

Exchange Agreement No. 35 also establishes a supplementary floating exchange rate (DICOM), for transactions described under Article No. 19 of Exchange Agreement No. 1 of February 5, 2003, sale of foreign currency by Petróleos de Venezuela, S.A. and its subsidiaries, transactions for the payment of purchases and cash advances using credit cards when travelling abroad and other foreign currency transactions not expressly included in this Agreement. The DICOM exchange rate started from the last exchange rate defined through SIMADI, which, at March 10, 2016, was Bs 206.4035/US$1 (purchase) and Bs 206.9209/US$1 (sale).

b) Applicable exchange rates

As from July 1, 2015 to March 8, 2016: Bs 6.2842/US$1 (purchase) and Bs 6.30/US$1 (sale), for all transactions, except for purchases of currency for travelling abroad, remittances to relatives residing abroad and insurance sector operations, among others, administered by CENCOEX, that will also be calculated at the exchange rate resulting from the most recent SICAD auction.

As from March 9 to June 30, 2016, the exchange rate for transactions in bolivars is Bs 9.975/US$1 (purchase) and Bs 10/US$1 (sale), for all transactions.

c) Net global position in foreign currency

The Bank's balance sheet includes the following foreign currency balances denominated mainly in U.S. dollars and stated at the aforementioned official exchange rate (purchase):

	June 30, 2016				
	US$				
	Bank	Curacao Branch	Eliminations	Total	Equivalent in bolivars
Assets					
Cash and due from banks					
Cash	1,436,869	-	-	1,436,869	14,332,768
Central Bank of Venezuela	4,316,463	-	-	4,316,463	43,056,718
Foreign and correspondent Banks	8,997,297	16,787,343	(261,145)	25,523,495	254,596,861
Investment securities	23,947,032	33,714,354	-	57,661,386	575,172,325
Loan portfolio					
Current	-	13,156,729	-	13,156,729	131,238,372
Outstanding letters of credit issued and negotiated	18,642,098	-	-	18,642,098	185,954,928
Overdue	-	3,183,657	-	3,183,657	31,756,979
Allowance for losses on loan portfolio	(6,816,112)	(14,251,103)	-	(21,067,215)	(210,145,470)
Interest and commissions receivable, net of provision	375,792	2,128,104	-	2,503,896	24,976,363
Investments in subsidiaries, affiliates and branches and agencies abroad	1,022,836	-	(1,022,836)	-	-
Property and equipment	-	7,507	-	7,507	74,882
Other assets, net of provision	384,498	16,369	-	400,867	3,998,648
Total assets	52,306,773	54,742,960	(1,283,981)	105,765,752	1,055,013,374
Liabilities and Equity					
Liabilities					
Customer deposits	4,295,463	51,620,762	(261,145)	55,655,080	555,159,423
Interest and commissions payable	-	12,140	-	12,140	121,097
Accruals and other liabilities	3,659,847	2,112,380	-	5,772,227	57,577,964
Total liabilities	7,955,310	53,745,282	(261,145)	61,439,447	612,858,484
Equity					
Assigned capital	-	7,599,462	(7,599,462)	-	-
Capital reserves	-	1,552,639	(1,552,639)	-	-
Retained earnings	-	(7,987,251)	7,987,251	-	-
Net unrealized loss on investments in available-for-sale-securities	-	(142,014)	142,014	-	-
Total equity	-	1,022,836	(1,022,836)	-	-
Total liabilities and equity	7,955,310	54,768,118	(1,283,981)	61,439,447	612,858,484

	December 31, 2015				
	US$				
	Bank	Curacao Branch	Eliminations	Total	Equivalent in bolivars
Assets					
Cash and due from banks					
Cash	1,432,207	-	-	1,432,207	9,000,275
Central Bank of Venezuela	5,206,865	-	-	5,206,865	32,720,979
Foreign and correspondent banks	12,581,702	47,533,535	(260,980)	59,854,257	376,136,167
Investment securities	103,281,372	3,901,711	-	107,183,083	673,559,933
Loan portfolio					
Current	-	20,524,727	-	20,524,727	128,981,489
Outstanding letters of credit issued and negotiated	18,687,686	-	-	18,687,686	117,437,156
Overdue	-	3,370,000	-	3,370,000	21,177,754
Allowance for losses on loan portfolio	-	(4,673,618)	-	(4,673,618)	(29,369,950)
Interest and commissions receivable, net of provision	1,677,200	1,883,926	-	3,561,126	22,378,828
Investments in subsidiaries, affiliates and branches and agencies abroad	6,529,882	-	(6,529,882)	-	-
Property and equipment	-	8,670	-	8,670	54,484
Other assets, net of provision	1,281,108	49,320	-	1,330,428	8,360,676
Total assets	150,678,022	72,598,271	(6,790,862)	216,485,431	1,360,437,791
Liabilities and Equity					
Liabilities					
Customer deposits	5,185,866	66,773,369	(260,980)	71,698,255	450,566,173
Interest and commissions payable	-	27,086	-	27,086	170,214
Accruals and other liabilities	1,253,867	1,811,158	-	3,065,025	19,261,230
Total liabilities	6,439,733	68,611,613	(260,980)	74,790,366	469,997,617
Equity					
Assigned capital	-	1,000,000	(1,000,000)	-	-
Capital reserves	-	1,552,639	(1,552,639)	-	-
Retained earnings	-	4,100,528	(4,100,528)	-	-
Net unrealized loss on investments in available-for-sale securities	-	(123,285)	123,285	-	-
Total equity	-	6,529,882	(6,529,882)	-	-
Total liabilities and equity	6,439,733	75,141,495	(6,790,862)	74,790,366	469,997,617
Other debtor memorandum accounts (Note 22)					
Foreign currency purchases	1,374,314	-	-	1,374,314	8,636,462
Foreign currency sales	(1,374,314)	-	-	(1,374,314)	(8,636,462)

At June 30, 2016, the Bank has a net monetary asset position in foreign currency of US$24,756,073, equivalent to Bs 246,941,879 (US$44,626,084, equivalent to Bs 280,439,307, at December 31, 2015), calculated based on the rules laid down by the BCV. This amount does not exceed the maximum limit set by the BCV, which at June 30, 2016 and December 31, 2015 is 30% of the Bank's equity, equivalent to US$482,233,622 and US$599,979,525, respectively.

At June 30, 2016, calculation of the net foreign currency position does not include Principal and Interest Covered Bonds (TICCs) with a book value of US$19,221,454 (US$97,198,553 at December 31, 2015), International Sovereign Bonds 2019, 2022, 2024 and 2031 with a book value of US$80 (US$144,078 at December 31, 2015), interest receivable in connection with these securities of US$373,106 (US$1,589,874 at December 31, 2015), other accounts receivable - Exchange Agreement No. 20 for US$750 and PDVSA Bonds 2016, with a book value of US$679,700 at December 31, 2015.

At June 30, 2016 and December 31, 2015, investment securities include TICCs issued by the Bolivarian Republic of Venezuela, payable in local currency and referenced to the U.S. dollar at the official exchange rate of Bs 9.975/US$1 and Bs 6.2842/US$1, respectively, and have foreign exchange indexing clauses at variable quarterly yields.

During the six-month period ended June 30, 2016, the Bank recorded exchange gains and losses of Bs 2,175,692 and Bs 10,922,994, respectively (Bs 7,529,647 and Bs 17,911,060, respectively, during the six-month period ended December 31, 2015), arising from exchange fluctuations of the U.S. dollar with respect to other foreign currencies (Notes 18 and 19).

5. Investment securities

Investments in debt securities, shares and other have been classified in the financial statements based on their intended use as shown below:

	June 30, 2016	December 31, 2015
	(In bolivars)	
Investments		
Deposits with the BCV and overnight deposits	274,312,500	-
Available for sale	3,427,756,346	5,000,346,561
Held to maturity	6,024,339,303	6,848,718,855
Restricted	103,032,062	82,914,981
Other securities	7,635,007,744	7,177,892,644
Provision for investment securities	(100,000)	(100,000)
	17,464,347,955	19,109,773,041

a) Investments in available-for-sale securities

These investments are shown at fair value and comprise the following:

	June 30, 2016			
	Acquisition cost	Net unrealized gain (loss)	Book value (equivalent to fair value)	
		(In bolivars)		
Securities issued or guaranteed by the Venezuelan government				
Fixed Interest Bonds (TIFs), with a par value of Bs 1,028,108,503, annual yield at between 9.88% and 16.5%, maturing between October 2017 and March 2032	1,140,080,553	37,355,715	1,177,436,268	(1) - (a)
Vebonos, with a par value of Bs 1,859,449,326, annual yield at between 10.97% and 16.2%, maturing between November 2017 and June 2032	2,144,085,415	33,082,498	2,177,167,913	(1) – (a)
Principal and Interest Covered Bonds (TICCs), payable in bolivars, with a reference par value of US$5,093,701, annual yield at between 5.25% and 8.63%, maturing between August 2016 and March 2019 (Note 4)	48,339,049	2,693,368	51,032,417	(2) - (a)
Global bonds, with a par value of US$800, 9.25% annual yield, maturing in September 2027 (Note 4)	5,865	(1,980)	3,885	(1) - (d)
	3,332,510,882	73,129,601	3,405,640,483	
Bonds and debt securities issued by Venezuelan non-financial public-sector companies				
PDVSA Bonds issued by Petróleos de Venezuela, S.A., with a par value of US$11,000, annual yield at between 5.38% and 5.5%, maturing between April 2027 and 2037 (Note 4)	33,722	4,722	38,444	(1) - (h)
Global Bond issued by C.A. La Electricidad de Caracas, with a par value of US$500,000, 8.5% annual yield, maturing in April 2018 (Note 4)	3,221,773	(1,214,304)	2,007,469	(1) - (c) y (g)
	3,255,495	(1,209,582)	2,045,913	
Equity in Venezuelan non-financial private-sector companies				
Common shares				
S.G.R. - SOGATUR, S.A., Sociedad de Garantías Recíprocas para el Sector Turismo S.A., 10,873 shares, with a par value of Bs 1,800 each	19,571,400	-	19,571,400	(3) - (i)
Sociedad de Garantías Recíprocas (SGR) del Estado Aragua, C.A., 10,128 common shares, with a par value of Bs 10 each, 1.7% owned	101,280	-	101,280	(3) - (i)
Sociedad de Garantías Recíprocas (SGR) del Estado Falcón, C.A., 10,000 common shares, with a par value of Bs 10 each, 2.75% owned	100,000	-	100,000	(3) - (i)
S.G.R. - SOGAMIC, S.A., Sociedad de Garantías Recíprocas del Sector Microfinanciero, S.A., 17,500 common shares, with a par value of Bs 10 each, 3.10% owned	175,000	-	175,000	(3) - (i)
S.G.R. - SOGARSA, S.A., Sociedad de Garantías Recíprocas para el Sector Agropecuario Forestal Pesquero y Afines S.A., 3,000 shares, with a par value of Bs 10 each, 0.028% owned	30,000	-	30,000	(3) - (i)
	19,977,680	-	19,977,680	
Debt securities issued by foreign financial private-sector companies				
International Cooperative UA, with a par value of US$100,000, 10.38% annual yield, maturing in September 2020	299,281	(207,011)	92,270	(1) - (g)
	3,356,043,338	71,713,008	3,427,756,346	
Unrealized loss on transfer of available-for-sale securities as per SUDEBAN Notice SIB-II-CCD-36481		(169,182)		
		71,543,826		

	December 31, 2015			
	Acquisition cost	Net unrealized gain (loss)	Book value (equivalent to fair value)	
		(In bolivars)		
Securities issued or guaranteed by the Venezuelan government				
Fixed Interest Bonds (TIFs), with a par value of Bs 1,698,923,786, annual yield at between 9.88% and 18%, maturing between February 2017 and 2030	1,985,365,645	127,315,618	2,112,681,263	(1) - (a)
Vebonos, with a par value of Bs 1,833,482,574, annual yield at between 11.41% and 16.65%, maturing between November 2017 and May 2029	2,215,001,463	89,316,421	2,304,317,884	(1) - (a)
Principal and Interest Covered Bonds (TICCs), payable in bolivars, with a reference par value of US$84,139,013, annual yield at between 5.25% and 8.63%, maturing between August 2016 and March 2019 (Note 4)	527,189,908	(5,258,304)	521,931,604	(2) - (a)
Global Bonds, with a par value of US$4,082,800, annual yield at between 7% and 9.38%, maturing between December 2018 and January 2034 (Note 4)	10,887,954	(136,994)	10,750,960	(1) - (b), (d) and (e)
Sovereign Bonds in foreign currency, with a par value of US$3,279,300, annual yield at between 5.25% and 12.75%, maturing between February 2016 and March 2038 (Note 4)	13,680,336	367,632	14,047,968	(1) - (b), (e) and (f)
	4,752,125,306	211,604,373	4,963,729,679	
Bonds and debt securities issued by Venezuelan non-financial public-sector companies				
PDVSA Bonds issued by Petróleos de Venezuela, S.A., with a par value of US$5,097,548, annual yield at between 5.13% and 12.75%, maturing between October 2016 and April 2037 (Note 4)	17,264,815	(2,444,486)	14,820,329	(1) - (b), (c), (e) and (f)
Global Bond issued by C.A. La Electricidad de Caracas, with a par value of US$500,000, 8.5% annual yield, maturing in April 2018 (Note 4)	2,029,701	(724,504)	1,305,197	(1) - (c)
	19,294,516	(3,168,990)	16,125,526	
Equity in Venezuelan non-financial private-sector companies				
Common shares				
S.G.R. - SOGATUR, S.A., Sociedad de Garantías Recíprocas para el Sector Turismo, S.A., 10,873 shares, with a par value of Bs 1,800 each	19,571,400	-	19,571,400	(3) - (g)
Sociedad de Garantías Recíprocas (SGR) del Estado Aragua, C.A., 10,128 common shares, with a par value of Bs 10 each, 1.7% owned	101,280	(20,279)	81,001	(3) - (g)
Sociedad de Garantías Recíprocas (SGR) del Estado Falcón, C.A., 10,000 common shares, with a par value of Bs 10 each, 2.75% owned	100,000	-	100,000	(3) - (g)
S.G.R. - SOGAMIC, S.A., Sociedad de Garantías Recíprocas del Sector Microfinanciero, S.A., 17,500 common shares, with a par value of Bs 10 each, 3.10% owned	175,000	462,445	637,445	(3) - (g)
S.G.R. - SOGARSA, S.A., Sociedad de Garantías Recíprocas para el Sector Agropecuario Forestal Pesquero y Afines S.A., 3,000 shares, with a par value of Bs 10 each, 0.028% owned	30,000	11,747	41,747	(3) - (g)
	19,977,680	453,913	20,431,593	
Debt securities issued by foreign financial private-sector companies				
International Cooperative UA, with a par value of US$100,000, 10.38% annual yield, maturing in September 2020	188,545	(128,782)	59,763	(1) - (c)
	4,791,586,047	208,760,514	5,000,346,561	
Unrealized loss on transfer of available-for-sale securities as per SUDEBAN Notice SIB-II-CCD-36481		(1,327,655)		
		207,432,859		

(1) Estimated fair value is determined from trading operations on the secondary market per valuation screens or yield curves.

(2) Value is determined based on the present value of estimated future cash flows in conformity with the Accounting Manual. The fair value of TICCs is their equivalent amount in bolivars at the official exchange rate.

(3) Equity value, considered as fair value, is based on unaudited financial statements.

Custodians of investments
(a) Central Bank of Venezuela

(b) Euroclear Bank, S.A.

(c) Morgan Stanley Smith Barney

(d) Caja Venezolana de Valores, S.A.

(e) Commerzbank, A.G.

(f) BBO Financial Services Inc.

(g) Morgan Stanley Private Wealth Management

(h) Pershing LLC

(i) Shares held in custody of private companies, S.G.R. del Estado Aragua, C.A.; S.G.R. del Estado Falcón, C.A.; S.G.R. - SOGAMIC, S.A.; S.G.R. - SOGARSA, S.A.; S.G.R. - SOGATUR, S.A.

Through Notice SIB-II-GGIBPV2-40535 of December 13, 2012, SUDEBAN informed the Bank that since the Reuters and Bloomberg services which offer reference prices for all key global financial markets do not provide reference prices for the Bank's available-for-sale investments, the Bank must use similar services or, if unavailable, must apply the present value (yield curve) to measure its available-for-sale investments, as required by the Accounting Manual. The Bank followed these guidelines to measure its available-for-sale portfolio at June 30, 2016 and December 31, 2015.

Through Notice SIB-II-CCD-36481 of November 12, 2012, SUDEBAN instructed the Bank to transfer the balances of non-convertible bearer bonds (2012 issue) issued by Fondo de Desarrollo Nacional FONDEN, S.A. for Bs 209,187,351 and those issued by Petróleos de Venezuela, S.A. for Bs 91,359,660 from the available-for-sale portfolio to the held-to-maturity portfolio, in conformity with Circular SIB-II-GGR-GNP-CCD-15075 of May 30, 2012. At December 31, 2012, the Bank calculated the fair value of the available-for-sale investments at the date of transfer and recorded an unrealized loss on these investments of Bs 7,680,340 in a separate equity account, which will be amortized until these securities mature. At June 30, 2016 and December 31, 2015, the balance of this unrealized loss is Bs 169,182 and Bs 1,327,655, respectively.

At period end, the Bank records fluctuations in the market value of these investments as an unrealized gain or loss on investment securities in equity. These unrealized gains or losses comprise the following:

	June 30, 2016	December 31, 2015
	(In bolivars)	
Unrealized gain		
Securities issued or guaranteed by the Venezuelan government in local currency	70,438,213	216,632,039
Securities issued or guaranteed by the Venezuelan government in foreign currency	2,693,368	367,632
Bonds and debt securities issued by Venezuelan non-financial public-sector companies	4,722	-
Equity in Venezuelan non-financial private-sector companies	-	474,192
	73,136,303	217,473,863
Unrealized loss		
Securities issued or guaranteed by the Venezuelan government in foreign currency	(1,980)	(5,395,298)
Bonds and debt securities issued by Venezuelan non-financial public-sector companies	(1,214,304)	(3,168,990)
Debt securities issued by foreign financial private-sector companies	(207,011)	(128,782)
Equity in Venezuelan non-financial private-sector companies	-	(20,279)
	(1,423,295)	(8,713,349)
	71,713,008	208,760,514
Unrealized loss on transfer of available-for-sale securities as per SUDEBAN Notice SIB-II-CCD-36481	(169,182)	(1,327,655)
Net unrealized gain on available-for-sale securities	71,543,826	207,432,859

Below is the classification of investments in available-for-sale securities according to maturity:

	Fair value	
	June 30, 2016	December 31, 2015
	(In bolivars)	
Up to 6 months	47,658,379	9,342,406
6 months to 1 year	2,650,063	48,270,697
1 to 5 years	949,462,370	2,981,090,588
Over 5 years	2,408,007,854	1,941,211,272
Without maturity	19,977,680	20,431,598
	3,427,756,346	5,000,346,561

During the six-month period ended June 30, 2016, the Bank sold investments in available-for-sale securities amounting to Bs 18,102,731,726 (Bs 8,476,264,499 during the six-month period ended December 31, 2015), resulting in gains and losses of Bs 149,426,979 and Bs 37,904,718, respectively (Bs 51,848,882 and Bs 26,170,249, respectively, during the six-month period ended December 31, 2015), shown under other operating income and other operating expenses, respectively (Notes 18 and 19).

During the six-month period ended June 30, 2016, the Bank sold through SIMADI investments in available-for-sale securities, including accumulated yields, amounting to US$3,095,755, equivalent to Bs 30,880,156, recording a gain of Bs 729,874,147 (US$2,605,212, equivalent to Bs 16,371,673, recording a gain of Bs 509,056,750 in equity, during the six-month period ended December 31, 2015).

b) Investments in held-to-maturity securities

Investments in held-to-maturity securities are shown at amortized cost and comprise debt securities that the Bank has the firm intention and ability to hold until maturity. These securities comprise the following:

	June 30, 2016			
	Acquisition cost	Amortized cost	Fair value	
		(In bolivars)		
Securities issued or guaranteed by the Venezuelan government				
Fixed Interest Bonds (TIFs), with a par value of Bs 2,037,603,085, annual yield at between 9.88% and 18%, maturing between September 2016 and January 2026	2,481,566,642	2,277,166,317	2,293,486,042	(1) - (a)
Vebonos, with a par value of Bs 1,130,391,993, annual yield at between 9.84% and 16.20%, maturing between December 2016 and February 2025	1,526,153,032	1,435,887,993	1,330,957,536	(1) - (a)
Principal and Interest Covered Bonds (TICCs), payable in bolivars, with a reference par value of US$14,327,848, annual yield at between 5.25% and 6.25%, maturing between Abril 2017 and March 2019 (Note 4)	142,319,762	140,701,585	144,182,078	(1) - (a)
Sovereign Bonds in foreign currency, with a par value of US$100, 8.25% annual yield, maturing in October 2024 (Note 4)	765	812	419	(1) - (b)
	4,150,040,201	3,853,756,707	3,768,626,075	
Bonds and debt securities issued by Venezuelan non-financial public-sector companies				
Dematerialized Certificates of Participation issued by Fondo Simón Bolívar para la Reconstrucción, S.A., with a par value of Bs 1,883,890,472, 6.05% annual yield, maturing between June 2023 and July 2024	1,883,890,472	1,883,890,472	1,883,890,472	(2) - (a)
Agriculture Bonds issued by Fondo de Desarrollo Nacional FONDEN, S.A., with a par value of Bs 210,000,000, 9.10% annual yield, maturing between July 2016 and 2017 (Note 6)	221,475,080	211,874,094	219,351,630	(1) - (a)
PDVSA Bonds issued by Petróleos de Venezuela, S.A., with a par value of US$900, annual yield at between 5.38% and 5.5%, maturing between Abril 2027 and 2037 (Note 4)	4,510	5,530	3,137	(1) - (b)
	2,105,370,062	2,095,770,096	2,103,245,239	
Certificates of deposit with foreign financial institutions				
Certificates of deposit with Banco Do Brasil with a par value of US$7,500,000, annual yield at between 0.78% and 1.65%, maturing between July and December 2016	74,812,500	74,812,500	74,812,500	(2) - (c)
	6,330,222,763	6,024,339,303	5,946,683,814	

	December 31, 2015			
	Acquisition cost	Amortized cost	Fair value	
		(In bolivars)		
Securities issued or guaranteed by the Venezuelan government				
Fixed Interest Bonds (TIFs), with a par value of Bs 2,174,983,990, annual yield at between 9.87% and 18%, maturing between June 2016 and January 2026	2,641,263,342	2,454,850,508	2,602,135,721	(3) - (a)
Vebonos, with a par value of Bs 1,137,627,851, annual yield at between 10.28% and 16.28%, maturing between June 2016 and January 2026	1,533,249,863	1,463,903,447	1,510,225,960	(1) - (a)
Principal and Interest Covered Bonds (TICCs), payable in bolivars, with a reference par value of US$14,327,848, annual yield at between 5.25% and 6.25%, maturing between April 2017 and March 2019 (Note 4)	89,660,736	88,883,541	89,453,793	(3) - (a)
Sovereign Bonds in foreign currency, with a par value of US$100, 8.25% annual yield, maturing in October 2024 (Note 4)	482	505	242	(1) - (b)
	4,264,174,423	4,007,638,001	4,201,815,716	

	December 31, 2015			
	Acquisition cost	Amortized cost	Fair value	
		(In bolivars)		
Bonds and debt securities issued by Venezuelan non-financial public-sector companies				
Dematerialized Certificates of Participation issued by Fondo Simón Bolívar para la Reconstrucción, S.A., with a par value of Bs 2,527,496,606, 3.75% annual yield, maturing in May 2016	2,527,496,606	2,527,496,606	2,527,496,606	(2) - (a)
Agriculture Bonds issued by Fondo de Desarrollo Nacional FONDEN, S.A., with a par value of Bs 310,000,000, 9.10% annual yield, maturing between April 2016 and July 2017 (Note 6)	327,565,730	313,580,826	322,672,030	(1) - (a)
PDVSA Bonds issued by Petróleos de Venezuela, S.A., with a par value of US$900, annual yield at between 5.38% and 8.5%, maturing in April 2037 (Note 4)	2,841	3,422	2,059	(1) - (b)
	2,855,065,177	2,841,080,854	2,850,170,695	
	7,119,239,600	6,848,718,855	7,051,986,411	

(1) Estimated fair value is determined from trading operations on the secondary market per valuation screens, the present value of estimated future cash flows or yield curves.

(2) Shown at par value, which is considered as fair value.

Custodians of investments
(a) Central Bank of Venezuela

(b) Euroclear Bank, S.A.

(c) Banco Do Brasil

Below is the classification of held-to-maturity securities according to maturity:

	June 30, 2016		December 31, 2015	
	Amortized cost	Fair value	Amortized cost	Fair value
		(In bolivars)		
Less than 1 year	476,476,211	473,743,446	1,300,565,812	1,332,427,335
1 to 5 years	1,449,782,693	1,569,321,543	1,361,707,356	1,542,190,592
5 to 10 years	4,098,076,149	3,903,615,269	3,422,504,467	3,434,588,100
Over 10 years	4,250	3,557	763,941,220	742,955,809
	6,024,339,303	5,946,683,815	6,848,718,855	7,052,161,836

The Accounting Manual establishes that all sales of held-to-maturity securities for reasons other than those indicated in the Accounting Manual must be authorized by SUDEBAN.

At June 30, 2016, the Bank has agriculture bonds issued by Fondo Nacional de Desarrollo Nacional FONDEN, S.A. for Bs 211,874,094 (Bs 313,580,826 at December 31, 2015). Through Notice SIB-II-CCD-06140 of March 1, 2013, SUDEBAN informed the Bank that the maximum amount of agriculture bonds that may be included in the agricultural loan portfolio is Bs 473,381,100, which may be computed as part of the agricultural loans that the Bank is required to grant (Note 6).

At June 30, 2016 and December 31, 2015, the Bank has Dematerialized Certificates of Participation issued by Fondo Simón Bolívar para la Reconstrucción, S.A. for Bs 1,883,890,472 and Bs 2,527,496,606, respectively, which may be deducted from the legal reserve amount required of financial institutions (Note 27). The Bank has the ability and intention to hold these securities to maturity.

At June 30, 2016 and December 31, 2015, the Bank has an account in the name of the BCV at the Euroclear Bank to hold in custody all foreign currency securities held by other foreign financial institutions, as set out in Article No. 51 of the Law on Banking Sector Institutions. Commerzbank A.G., Morgan Stanley Smith Barney, BBO Financial Services Inc., Pershing LLC, Morgan Stenley Private Wealth Management and Banco Do Brasil only hold in custody securities of the Branch.

At June 30, 2016, unrealized losses of Bs 104,933,243 on held-to-maturity securities issued by the Bolivarian Republic of Venezuela are considered temporary since management believes that from the standpoint of the issuer's credit risk, interest rate risk and liquidity risk, the decrease in these securities' fair value is temporary. In addition, the Bank has the intention and ability to hold these securities to maturity. Accordingly, the Bank has identified no impairment in the value of these investments.

c) Deposits with the Central Bank of Venezuela and overnight deposits

These investments are recorded at realizable value, representing cost or par value and comprise the following:

	June 30, 2016	December 31, 2015
	(In bolivars)	
Overnight deposit with Banco Do Brasil, with a par value of US$27,500,000, 0.33% annual yield, maturing in July 2016	274,312,500	-

d) Restricted investments

These investments are shown at par value, which is considered as fair value, and comprise the following:

	June 30, 2016		December 31, 2015		
	Amortized cost	Fair value	Amortized cost	Fair value	
	(In bolivars)				
Other restricted investments					
Certificates of deposit					
Social Contingency Fund (Note 23)	37,505,752	37,505,752	29,240,181	29,240,181	(1)
Trust fund with Mercantil, C.A., Banco Universal	33,361,395	33,361,395	31,918,156	31,918,156	(1)
PNC Bank, with a par value of US$1,628,945 (US$1,626,102 at December 31, 2015) (Note 4)	16,248,722	16,248,722	10,218,752	10,218,752	(1)
JP Morgan Chase Bank, with a par value of US$1,595,608 (US$1,594,516 at December 31, 2015) (Note 4)	15,916,193	15,916,193	10,020,258	10,020,258	(1)
Banco del Bajio, S.A., with a par value of US$241,500 (Note 4)	-	-	1,517,634	1,517,634	(1)
	103,032,062	103,032,062	82,914,981	82,914,981	

(1) Par value is used as fair value. Securities denominated in foreign currency are shown at the official exchange rate.

At June 30, 2016 and December 31, 2015, the certificates of deposit with JP Morgan Chase Bank and PNC Bank are used as collateral to guarantee VISA and MasterCard credit card operations, respectively.

At June 30, 2016 and December 31, 2015, the certificate of deposit in a trust fund with Mercantil, C.A., Banco Universal is used as collateral to guarantee Maestro debit card operations.

At December 31, 2015, the guarantee deposit of Banco del Bajio, S.A. is used to guarantee operations with letters of credit through CENCOEX.

e) Investments in other securities

These investments are shown at par value and comprise the following:

	June 30, 2016	December 31, 2015	
	(In bolivars)		
Other liabilities			
Bolivarian Housing Securities issued by Fondo Simón Bolívar para la Reconstrucción, S.A., with a par value of Bs 7,554,130,244 (Bs 7,089,662,644 at December 31, 2015), annual yield at between 4.66% and 6.48%, maturing between June 2017 and February 2028	7,554,130,244	7,089,662,644	(1) - (a)
Special mortgage securities issued by Banco Nacional de Vivienda y Hábitat (BANAVIH), with a par value of Bs 80,877,500 (Bs 88,230,000 at December 31, 2015), 2% annual yield, maturing in November 2021	80,877,500	88,230,000	(1) - (a)
	7,635,007,744	7,177,892,644	

(1) Par value is considered as fair value. These securities may be sold to the BCV through a resale agreement at 100% of their par value.

Custodian of investments
(a) Central Bank of Venezuela

At June 30, 2016, the Bank has Bolivarian Housing Securities issued by Fondo Simón Bolívar para la Reconstrucción, S.A. for Bs 7,554,130,244 (Bs 7,089,662,644 at December 31, 2015, of which Bs 3,228,507,900 falls within the mandatory annual housing loans required for 2015 under Venezuela's Great Housing Mission. These securities aim at raising funds to finance massive construction projects) (Note 6). In addition, at June 30, 2016 and December 31, 2015, the Bank has Bolivarian Housing Securities issued by Fondo Simón Bolívar para la Reconstrucción, S.A. for Bs 251,289,000, which corresponds to the substitution of Dematerialized Certificates of Participation issued by Banco Nacional de Desarrollo Económico y Social de Venezuela (BANDES).

At June 30, 2016 and December 31, 2015, the Bank maintains special mortgage securities for Bs 80,877,500 and Bs 88,230,000, respectively, with long-term mortgage loan guarantees issued by Banco Nacional de Vivienda y Hábitat (BANAVIH), which were computed in the construction loan portfolio at December 31, 2011 (Note 6).

The Bank has the intention and ability to hold the investments in other securities to maturity.

The Bank's control environment includes policies and procedures to determine investment risks by entity and economic sector. At June 30, 2016, the Bank has investment securities issued or guaranteed by the Venezuelan government of Bs 16,992,220,937, representing 99.30% of its investment securities portfolio (Bs 19,006,466,698, representing 97.30% of its investment securities portfolio at December 31, 2015).

6. Loan portfolio

The loan portfolio is classified by economic activity, guarantee, maturity and type of loan as follows:

	June 30, 2016			
	Current	Rescheduled	Overdue	Total
	(In bolivars)			
Economic activity				
Wholesale and retail trade, restaurants and hotels	75,498,808,308	-	19,478,206	75,518,286,514
Agriculture, fishing and forestry	14,776,424,962	40,124,844	7,572,407	14,824,122,213
Financial businesses, insurance, real estate and services	11,965,191,812	-	12,815,335	11,978,007,147
Communal, social and consumer services	9,700,230,591	8,281,481	254,378	9,708,766,450
Manufacturing	4,755,314,180	-	-	4,755,314,180
Construction	1,684,608,131	-	-	1,684,608,131
Utilities	639,825,271	-	-	639,825,271
Transportation, warehousing and communications	77,007,469	-	-	77,007,469
Mining and oil	17,443,679	-	31,756,982	49,200,661
	119,114,854,403	48,406,325	71,877,308	119,235,138,036
Allowance for losses on loan portfolio, includes US$21,067,215				(2,801,547,904)
				116,433,590,132
Guarantee				
Endorsement	32,989,476,560	6,608,194	7,157,361	33,003,242,115
Collateral	28,243,544,361	187,500	9,923,620	28,253,655,481
Real property mortgage	21,987,890,514	1,197,440	1,322,972	21,990,410,926
Written instruments	4,381,455,136	-	-	4,381,455,136
Pledge	2,876,321,645	78,125	-	2,876,399,770
Non-possessory pledge	1,051,373,337	348,400	-	1,051,721,737
Chattel mortgage	718,039,564	712,222	82,196	718,833,982
Other guarantees	187,663,021	-	-	187,663,021
Unsecured	26,679,090,265	39,274,444	53,391,159	26,771,755,868
	119,114,854,403	48,406,325	71,877,308	119,235,138,036
Maturity				
Overdue	-	-	31,756,982	31,756,982
Up to 30 days	17,689,483,862	-	19,312,465	17,708,796,327
31 to 60 days	12,867,916,582	-	768,040	12,868,684,622
61 to 90 days	11,669,434,542	62,750	217,867	11,669,715,159
91 to 180 days	16,857,358,216	148,499	916,340	16,858,423,055
181 to 360 days	19,486,798,740	361,500	13,143,477	19,500,303,717
Over 360 days	40,543,862,461	47,833,576	5,762,137	40,597,458,174
	119,114,854,403	48,406,325	71,877,308	119,235,138,036

	December 31, 2015			
	Current	Rescheduled	Overdue	Total
	(In bolivars)			
Economic activity				
Wholesale and retail trade, restaurants and hotels	35,488,094,447	-	1,379,575	35,489,474,022
Financial businesses, insurance, real estate and services	6,617,387,571	-	10,468,991	6,627,856,562
Agriculture, fishing and forestry	8,224,992,665	101,378,594	41,250	8,326,412,509
Construction	1,553,310,126	-	-	1,553,310,126
Manufacturing	4,106,491,994	-	-	4,106,491,994
Transportation, warehousing and communications	1,123,777,393	-	-	1,123,777,393
Utilities	402,128,534	-	-	402,128,534
Communal, social and consumer services	27,529,310,289	1,034,254	8,196,412	27,538,540,955
Mining and oil	2,234,809,667	-	20,737,860	2,255,547,527
Sundry activities	630,321	-	-	630,321
	87,280,933,007	102,412,848	40,824,088	87,424,169,943
Allowance for losses on loan portfolio, includes US$463,618				(1,815,593,419)
				85,608,576,524

	December 31, 2015			
	Current	**Rescheduled**	**Overdue**	**Total**
	(In bolivars)			
Guarantee				
Endorsement	24,788,485,957	17,812,375	3,127,393	24,809,425,725
Collateral	19,046,260,840	40,745,083	4,544,052	19,091,549,975
Real property mortgage	7,665,770,940	66,056	1,745,602	7,667,582,598
Written instruments	1,535,677,107	-	-	1,535,677,107
Other guarantees	748,095,527	-	37,003	748,132,530
Pledge	720,609,859	93,750	20,737,860	741,441,469
Chattel mortgage	734,155,904	763,455	17,244	734,936,603
Non-possessory pledge	55,422,860	433,925	-	55,856,785
Unsecured	31,986,454,013	42,498,204	10,614,934	32,039,567,151
	87,280,933,007	102,412,848	40,824,088	87,424,169,943
Maturity				
Up to 30 days	16,971,126,123	-	36,561,967	17,007,688,090
31 to 60 days	11,176,870,089	-	26,000	11,176,896,089
61 to 90 days	13,144,234,666	27,625	-	13,144,262,291
91 to 180 days	12,162,739,604	195,500	-	12,162,935,104
181 to 360 days	13,098,603,406	416,216	151,058	13,099,170,680
Over 360 days	20,727,359,119	101,773,507	4,085,063	20,833,217,689
	87,280,933,007	102,412,848	40,824,088	87,424,169,943

Below is a breakdown of the loan portfolio by type of loan:

	June 30, 2016	**December 31, 2015**
	(In bolivars)	
Type of loan		
Fixed term, includes US$5,530,362 (US$12,780,729 at December 31, 2015) (Note 4)	44,294,290,379	39,286,832,728
Installment, includes US$520,000 (Note 4)	31,904,418,097	19,485,470,642
Agriculture	14,824,122,213	8,326,412,509
Mortgage	5,332,364,427	4,887,667,516
Credit cards	9,863,816,514	4,619,857,302
Manufacturing	4,755,314,180	4,106,491,994
Tourism	2,557,258,138	2,426,595,125
Microcredits	2,897,444,547	1,883,329,258
Factoring and discounts, includes US$10,290,024 (US$10,593,998 at December 31, 2015) (Note 4)	1,769,525,313	1,320,768,451
Financial leases	532,259,176	657,405,638
Vehicles	270,090,006	270,882,813
Letters of credit, equivalent to US$16,961,498 and €1,514,873 (US$17,033,748 and €1,514,873 at December 31, 2015) (Note 4)	185,954,978	117,437,172
Employee loans	48,034,399	34,772,917
Checking accounts	245,669	245,878
	119,235,138,036	87,424,169,943

Through Resolution No. 332.11 of December 22, 2011, SUDEBAN established the parameters to set aside provisions for loans or microcredits granted to individuals or corporations whose assets were subject to expropriation, occupation or intervention from the Venezuelan government, effective from December 1, 2011 to November 30, 2013. A modification of this Resolution was published in Official Gazette No. 40,304 of November 28, 2013, extending the effective period until November 30, 2014. In addition, through Circular SIB-II-GGR-GNP-21051 of June 30, 2015, SUDEBAN established the indefinite application of measures provided in Resolution No. 332.11. At June 30, 2016 and December 31, 2015, the Bank applied the aforementioned Resolution to loans amounting to Bs 280,687,833 and Bs 857,494,793, respectively. Through Resolution No. 310.11 of December 1, 2011, SUDEBAN allows banks that granted mortgage loans to housing constructors, whose projects have been expropriated, occupied or intervened by the Venezuelan government and that assumed work completion, to defer the expenses, charges or losses that may arise from work completion for a term of no less than 10 years and no more than 15 years. During the first six-month period of 2016, the Bank requested SUDEBAN to defer the estimated losses from the execution of these projects that will not be recovered through the sale of housing units. Through Notice SIB-II-GGIBPVGIBPV4-154476 of May 27, 2016, SUDEBAN authorized the deferral for up to 15 years. At June 30, 2016, the Bank maintains Bs 454,778,221 in this connection within other assets (Note 12).

At December 31, 2015, the Branch maintains an overdue loan for US$3,300,000 with the debtor Siderúrgica del Turbio, S.A. (SIDETUR), in regard to which the Bank initiated legal actions. On April 14, 2016, the Branch received a Resolution of the First Instance Court of Curacao in regard to file No. EJ 74192/2015, in which it is established that the Branch may apply the collateral security of Bs 38,068,799 (which includes the amount of the deposit and interest generated by the deposit) held with the debtor for the portion of the overdue loan equivalent to the SIMADI rate, thereby recording a partial collection of the loan amounting to US$116,343 and income from exchange difference arbitration for US$3,700,078, equivalent to Bs 36,908,282, included in the income statement under other operating income (Note 18). In addition, during the six-month period ended June 30, 2016, the Branch contracted the professional services of two external legal advisors, for the purpose of receiving advisory on the trial filed against the debtor. At June 30, 2016, the Bank has recorded an expense from said legal advisory services amounting to Bs 52,640,000, shown in the income statement under general and administrative expenses (Note 20).

In accordance with SUDEBAN rules, at June 30, 2016 and December 31, 2015, the Bank maintains a general allowance for losses on the loan portfolio of Bs 1,507,544,707 and Bs 1,022,711,496, respectively, and a countercyclical allowance of Bs 894,263,535 and Bs 655,681,274, respectively, Note 2-e.

Below is the movement in the allowance for losses on the loan portfolio:

	June 30, 2016	December 31, 2015
	(In bolivars)	
Balance at the beginning of the period	1,815,593,419	1,164,033,808
Provided in the period	949,265,400	699,310,164
Increase from exchange differences	17,249,388	-
Write-offs of uncollectible loans	(22,739,835)	(12,802,755)
Reclassification to provision for interest receivable (Note 7)	(11,027,302)	(4,221,987)
Reclassification from (to) provision for contingent loans (Note 16)	53,206,834	(30,725,811)
Balance at the end of the period	2,801,547,904	1,815,593,419

At June 30, 2016, overdue loans on which interest is no longer accrued amount to Bs 71,877,308 (Bs 40,824,088 at December 31, 2015). In addition, at June 30, 2016, memorandum accounts include Bs 42,504,598 (Bs 294,395,838 at December 31, 2015) in respect of interest not recognized as income from loans on which interest is no longer accrued (Note 21).

During the six-month periods ended June 30, 2016 and December 31, 2015, the Bank wrote off loans of Bs 22,739,835 and Bs 12,802,755, respectively, against the allowance for losses on the loan portfolio.

At June 30, 2016, the Bank recovered loans written off in previous periods of Bs 43,041,157, shown in the income statement within income from financial assets recovered (Bs 18,645,010 during the six-month period ended December 31, 2015).

Universal banks should earmark a minimum nominal percentage to finance loans for agriculture, small businesses, mortgage, manufacturing and tourism as follows:

	June 30, 2016					
Activity	**Balance maintained in bolivars**	**Earmarked %**	**Required %**	**Number of debtors**	**Maximum annual interest rate %**	**Calculation basis**
Agriculture (a)	15,036,026,307	24.42	24	596	13	Average gross loan portfolio balance at December 31, 2015 and 2014
Small businesses (b)	2,897,444,547	3.32	3	3,343	24	Gross loan portfolio at December 31, 2015
Mortgages (c)	142,167,887	0.16	-	2,830	Between 9.66 and 10.66	Gross loan portfolio at December 31, 2015 to be applied according to the borrower's monthly household income
Tourism (d)	2,576,829,538	4.18	2.5	44	7.12 or 12.76	Average balance of the gross loan portfolio at December 31, 2015 and 2014
Manufacturing (e)	4,755.314,180	5.45	-	101	16.20 or 18	Gross loan portfolio at December 31, 2015

	December 31, 2015					
Activity	**Balance maintained in bolivars**	**Earmarked %**	**Required %**	**Number of debtors**	**Maximum annual interest rate %**	**Calculation basis**
Agriculture (a)	8,640,035,081	31.08	25	391	13	Average gross loan portfolio balance at December 31, 2014 and 2013
Small businesses (b)	1,883,329,258	3.25	3	3,243	24	Gross loan portfolio at June 30, 2015
Mortgages (c)	5,747,536,189	16.02	20	3,442	Between 4.66 and 10.66	Gross loan portfolio at December 31, 2014 to be applied according to the borrower's monthly household income
Tourism (d)	2,446,166,525	8.80	4.25	30	7.12 or 10.12	Average balance of the gross loan portfolio at December 31, 2014 and 2013
Manufacturing (e)	4,106,491,994	11.45	10	198	16.20 or 18.00	Gross loan portfolio at December 31, 2014

(a) At June 30, 2016, the Bank maintains an agricultural loan portfolio for Bs 14,824,122,213, agriculture bonds issued by the Venezuelan government for Bs 211,874,094 and Bs 30,000 in Class "B" shares from Sociedad de Garantías Recíprocas para el Sector Agropecuario Forestal Pesquero y Afines, S.A. (SOGARSA). These shares are imputable to the agricultural loan portfolio compliance (Bs 8,326,412,508, Bs 313,580,826 and Bs 41,747, respectively, at December 31, 2015) (Note 5-b).

(b) At June 30, 2016 and December 31, 2015, the Bank maintains loans for small businesses amounting to Bs 2,897,444,547 and Bs 1,883,329,258, respectively. On September 24, 2015, through Resolution No. 109-15, SUDEBAN indicated that banks should earmark their gross microcredit loan portfolio as follows: up to 40% to finance commercialization activities, up to 40% to finance public transportation and no less than 20% to other activities, such as communal services and artisan services, among others.

(c) At June 30, 2016, the Bank maintains Bs 7,554,130,244 in Bolivarian Housing Securities issued by Fondo Simón Bolívar para la Reconstrucción, S.A., to finance Venezuela's Great Housing Mission (Bs 7,089,662,644 at December 31, 2015, of which Bs 3,228,507,900 is imputable to the short and long-term mortgage portfolio for 2015) (Note 5-e). In addition, at December 31, 2015, it includes Bs 988,508,543 that corresponds to commitments to purchase Bolivarian Housing Securities issued by Fondo Simón Bolívar para la Reconstrucción, S.A. in January, February and March 2016.

(d) At June 30, 2016 and December 31, 2015, the Bank maintains a tourism loan portfolio for Bs 2,557,258,138 and Bs 2,426,595,125, respectively, and Bs 19,571,400 in Class "B" shares from Sociedad de Garantías Recíprocas para la Pequeña y Mediana Empresa del Sector Turismo, S.A. (SOGATUR). These shares are imputable to the tourism loan portfolio compliance (Note 5-a).

(e) In July 2014, the People's Power Ministries for Industries and for Planning and Finance established the activities to which universal banks shall allocate the funds of the manufacturing loan portfolio. Of the manufacturing loan portfolio resources, 60% shall be allocated to the strategic development sectors and a minimum 40% percentage to finance small and medium-sized companies, communal and state companies.

7. Interest and commissions receivable

Interest and commissions receivable comprise the following:

	June 30, 2016	December 31, 2015
	(In bolivars)	
Interest receivable on investment securities		
Deposits with the BCV and overnight deposits	-	-
Available for sale, includes US$176,878 (US$1.660,530 at December 31, 2015)	61,337,504	93,936,234
Held to maturity, includes US$225,963 (US$208,582 at December 31, 2015)	120,021,677	131,779,059
Other securities	99,562,953	87,351,358
	280,922,134	313,066,651
Interest receivable on loan portfolio		
Current, includes US$2,101,055 (US$1,868,427 at December 31, 2015)	997,579,893	641,270,443
Rescheduled	888,645	13,989,994
Overdue, includes US$12,769 (US$11,245 at December 31, 2015)	17,486,907	4,906,884
Microcredits	24,411,166	17,330,099
Agricultural	442,401	477,950
	1,040,809,012	677,975,370
Commissions receivable		
Trust fund (Note 21)	4,463,152	3,571,562
Interest and commissions receivable on other accounts receivable		
Interest receivable on resale agreements	14,183,346	802,439
	1,340,377,644	995,416,022
Provision for interest receivable and other, includes US$12,769 (US$187,658 at December 31, 2015)	(21,296,987)	(9,389,749)
	1,319,080,657	986,026,273

The Bank has provisions for interest and commissions receivable that meet the minimum requirements set by SUDEBAN.

Below is the movement in the provision for interest receivable and other:

	June 30, 2016	December 31, 2015
	(In bolivars)	
Balance at the beginning of the period	9,389,749	5,588,051
Provided in the period	2,528,487	823,227
Increase from exchange differences	485,626	-
Write-off of interest receivable on loans	(2,134,177)	(1,243,516)
Reclassification from allowance for losses on loan portfolio (Note 6)	11,027,302	4,221,987
Balance at the end of the period	21,296,987	9,389,749

During the six-month periods ended June 30, 2016 and December 31, 2015, the Bank wrote off interest receivable of Bs 2,134,177 and Bs 1,243,516, respectively, against the provision for interest receivable and other.

At June 30, 2016, the Bank collected interest of Bs 9,087,785 written off in previous periods, shown in the income statement within income from financial assets recovered (Bs 1,259,525 during the six-month period ended December 31, 2015).

8. Investments in subsidiaries, affiliates and branches

In October 2008, the Bank requested authorization from SUDEBAN to open a branch in Willemstad, Curacao. SUDEBAN, through Notice SBIF-DSB-II-GGTE-GEE-07154 of May 18, 2009, and the Central Bank of Curacao and St. Maarten, through Communication Lcm/ni/2009-001159 of November 5, 2009, authorized the opening of this branch.

At a Board of Directors' meeting on November 25, 2009, it was resolved to contribute US$1,000,000 to the new branch's capital stock. This amount was fully paid in January 2010.

On January 13, February 10 and April 13, 2016, the Bank resolved to contribute US$6,599,462 to restore lost capital. The Bank paid this amount in cash between January and April 2016.

Below is a summary of the financial statements of the Branch included in the Bank's financial statements:

Balance sheet

	June 30, 2016		December 31, 2015	
	US$	Equivalent in bolivars	US$	Equivalent in bolivars
Assets				
Cash and due from banks	16,812,500	167,704,688	56,152,252	352,871,982
Investment securities	33,714,354	336,300,681	3,901,711	24,519,131
Loan portfolio	2,089,283	20,840,598	19,221,109	120,789,298
Interest and commissions receivable	2,128,103	21,227,827	1,883,926	11,838,969
Property and equipment	7,507	74,882	8,670	54,487
Other assets	16,370	163,291	49,320	309,939
	54,768,117	546,311,967	81,216,988	510,383,806
Liabilities and Equity				
Liabilities				
Customer deposits	51,620,762	514,917,101	72,848,862	457,796,822
Interest and commissions payable	12,139	121,087	27,086	170,212
Accruals and other liabilities	2,112,380	21,070,991	1,811,158	11,381,677
	53,745,281	536,109,179	74,687,106	469,348,711
Equity				
Capital assigned	7,599,462	75,804,633	1,000,000	6,284,200
Capital reserves	1,552,639	15,487,574	1,552,639	9,757,095
Retained earnings	(7,987,251)	(79,672,829)	4,100,528	25,768,547
Unrealized loss on investments in available-for-sale securities	(142,014)	(1,416,590)	(123,285)	(774,747)
	1,022,836	10,202,788	6,529,882	41,035,095
	54,768,117	546,311,967	81,216,988	510,383,806

Income statement

	June 30, 2016		December 31, 2015	
	US$	Equivalent in bolivars	US$	Equivalent in bolivars
Interest income	721,113	7,193,093	777,458	4,885,704
Interest expense	(259,807)	(2,591,577)	(402,643)	(2,530,286)
Expenses from uncollectible loans	(9,423,346)	(93,997,875)	(2,208,102)	(13,876,151)
Creation of provision and adjustment of cash and due from banks	(168,607)	(1,681,855)		
Other operating income	3,957,801	39,479,069	75,822	476,480
Other operating expenses	(1,490,063)	(14,863,383)	(67,122)	(421,808)
Operating expenses	(5,428,711)	(54,151,384)	(156,166)	(981,379)
Sundry operating income	5,757	57,421	3,993	25,092
Income tax expense	(1,916)	(19,110)	(2,837)	(17,829)
Net loss for the period	(12,087,779)	(120,575,601)	(1,979,597)	(12,440,177)

At June 30, 2016 and December 31, 2015, the Branch's assets, liabilities and results were consolidated in the Bank's financial statements.

The equivalent amounts in bolivars shown in the above financial statements at June 30, 2016 and December 31, 2015 have been translated at the official exchange rate of Bs 9.975/US$1 and Bs 6.2842/US$1, respectively (Note 2-b).

9. Available-for-sale assets

At June 30, 2016 and December 31, 2015, the Bank has withdrawn available-for-sale assets for Bs 17,662,247 and Bs 17,690,536, respectively, shown in other memorandum accounts under personal and real property written off since they are overdue for more than 3 years (Note 21).

During the six-month period ended June 30, 2016, the Bank sold idle assets at a gain of Bs 27,803,675, shown in the income statement under income from available-for-sale assets.

10. Property and equipment

Property and equipment comprises the following:

	Useful life (years)	June 30, 2016 Cost	June 30, 2016 Accumulated depreciation	June 30, 2016 Net	December 31, 2015 Cost	December 31, 2015 Accumulated depreciation	December 31, 2015 Net
				(In bolivars)			
Land		109,582,657	-	109,582,657	109,582,657	-	109,582,657
Buildings and facilities	40	5,988,152,162	(130,811,385)	5,857,340,777	2,617,586,761	(73,653,512)	2,543,933,249
Computer hardware, includes US$447 at December 31, 2015 (Note 4)	4	2,172,169,066	(404,372,454)	1,767,796,612	1,040,939,795	(217,332,030)	823,607,765
Furniture and equipment, includes US$7,507 (US$8,223 at December 31, 2015) (Note 4)	Between 4 and 10	1,636,329,218	(264,809,335)	1,371,519,883	1,232,878,234	(182,569,498)	1,050,308,736
Vehicles	5	81,439,383	(7,261,146)	74,178,237	16,249,580	(5,815,545)	10,434,035
Equipment for Chip project	10	8,700,969	(3,846,008)	4,854,961	8,364,969	(3,427,759)	4,937,210
Construction in progress		66,853,529	-	66,853,529	220,800,222	-	220,800,222
		10,063,226,984	(811,100,328)	9,252,126,656	5,246,402,218	(482,798,344)	4,763,603,874
Other property		16,482,413	-	16,482,413	16,482,413	-	16,482,413
		10,079,709,397	(811,100,328)	9,268,609,069	5,262,884,631	(482,798,344)	4,780,086,287

At June 30, 2016 and December 31, 2015, the balance of construction in progress is in respect of construction and remodeling work to the Bank's main office and to existing and new agencies, which is in compliance with the Accounting Manual.

Below is the movement in property and equipment for the six-month periods ended June 30, 2016 and December 31, 2015:

	Balances at December 31, 2015	Additions	Disposals	Reclassifications and other	Balances at June 30, 2016
			(In bolivars)		
Cost					
Land	109,582,657	-	-	-	109,582,657
Buildings and facilities	2,617,586,761	3,132,650,223	-	237,915,178	5,988,152,162
Computer hardware	1,040,939,795	1,131,638,024	(408,753)	-	2,172,169,066
Furniture and equipment	1,232,878,234	403,661,728	(210,744)	-	1,636,329,218
Vehicles	16,249,580	65,410,400	(220,597)	-	81,439,383
Equipment for Chip project	8,364,969	336,000	-	-	8,700,969
Construction in progress	220,800,222	83,968,485	-	(237,915,178)	66,853,529
Other property	16,482,413	-	-	-	16,482,413
	5,262,884,631	4,817,664,860	(840,094)	-	10,079,709,397

	Balances at December 31, 2015	Additions	Disposals	Reclassifications and other	Balances at June 30, 2016
			(In bolivars)		
Accumulated depreciation					
Buildings and facilities	73,653,512	57,157,873	-	-	130,811,385
Computer hardware	217,332,030	187,449,177	(408,753)	-	404,372,454
Furniture and equipment	182,569,498	82,450,581	(210,744)	-	264,809,335
Vehicles	5,815,545	1,666,198	(220,597)	-	7,261,146
Equipment for Chip project	3,427,759	418,249	-	-	3,846,008
	482,798,344	329,142,078	(840,094)	-	811,100,328
	4,780,086,287				9,268,609,069

	Balances at June 30, 2015	Additions	Disposal	Reclassifications and other	Balances at December 31, 2015
			(In bolivars)		
Cost					
Land	109,582,657	-	-	-	109,582,657
Buildings and facilities	1,771,564,989	794,780,716	(297,732)	51,538,788	2,617,586,761
Computer hardware	527,819,061	513,370,945	(250,211)	-	1,040,939,795
Furniture and equipment	650,282,799	584,885,737	(2,290,302)	-	1,232,878,234
Vehicles	7,330,906	9,470,363	(551,689)	-	16,249,580
Equipment for Chip project	8,364,969	-	-	-	8,364,969
Construction in progress	147,993,569	124,345,441	-	(51,538,788)	220,800,222
Other property	16,482,413	-	-	-	16,482,413
	3,239,421,363	2,026,853,202	(3,389,934)	-	5,262,884,631
Accumulated depreciation					
Buildings and facilities	51,667,489	22,283,755	(297,732)	-	73,653,512
Computer hardware	118,319,395	99,262,846	(250,211)	-	217,332,030
Furniture and equipment	137,736,002	47,123,798	(2,290,302)	-	182,569,498
Vehicles	5,174,007	1,193,227	(551,689)	-	5,815,545
Equipment for Chip project	3,009,511	418,248	-	-	3,427,759
	315,906,404	170,281,874	(3,389,934)	-	482,798,344
	2,923,514,959				4,780,086,287

During the six-month period ended June 30, 2016, the Bank recorded depreciation expense of Bs 329,142,078 (Bs 170,281,874 during the six-month period ended December 31, 2015), shown in the income statement under general and administrative expenses (Note 20).

11. Acquisition and merger of Stanford Bank, S.A., Banco Comercial

On February 18, 2009, SUDEBAN, with the approval of the BCV's Board of Directors and the Higher Banking Council, resolved to take control of Stanford Bank, S.A., Banco Comercial (hereinafter Stanford Bank) in Venezuela. At a Special Shareholders' Meeting of Stanford Bank held on April 29, 2009, it was resolved to issue 757,000 new common shares with a par value of Bs 100 each with a view to replenishing Stanford Bank's capital stock, which had been approved at a Special Shareholders' Meeting held on March 5, 2009. These shares were fully subscribed by Banfoandes Banco Universal, C.A.

On May 5, 2009, SUDEBAN, through Notice SBIF-DSB-06532, notified the Bank that it was qualified to participate in the auction for the acquisition of Stanford Bank to be held on May 8, 2009. Likewise, SUDEBAN, through Notice SBIF-DSB-06535 of the same date, informed the Bank that the auction winner would be awarded the following privileges:

a) A 15-year term over which to amortize expenses incurred during the first 6 months of operations of Stanford Bank, such as personnel, administrative and operating expenses.

b) Authorization to maintain the accounting classification of loans that require rescheduling due to Stanford Bank's intervention resulting in a change of the original loan terms, provided that current credit conditions were maintained.

c) Reduction of requirements necessary for approval of the Merger Plan.

d) Inclusion in the purchasing entity's books of Stanford Bank's assets and liabilities once SUDEBAN authorized the merger. SUDEBAN would give such authorization within 120 days after the Merger Plan was submitted.

e) SUDEBAN would request the BCV's cooperation to increase the credit line granted to the auction winner under the Reciprocal Payment Agreement of ALADI member countries by Stanford Bank's quota (US$3,500,000).

On May 8, 2009, the Bank won the bid to purchase Stanford Bank at an auction conducted at the headquarters of the People's Power Ministry for the Economy and Finance offering Bs 240,007,777. On that same date, the Bank and Banfoandes signed a stock sale agreement that sets forth, among other things:

- The sale price of the 757,000 common shares was set at Bs 75,700,000.

- Regarding the difference between the offering price and the share price, the Bank would: a) approve and pay Bs 121,973,325 to absorb Stanford Bank's losses and b) approve capital contributions of Bs 42,334,452 and record them under contributions pending capitalization in Stanford Bank's balance sheet.

- The Bank would conduct the merger by absorption of Stanford Bank under the terms set forth by SUDEBAN.

On May 14, 2009, Banfoandes sold and transferred 757,000 common shares of Stanford Bank to the Bank, with a par value of Bs 100 each.

In addition, Stanford Bank's Intervention Board, appointed by SUDEBAN through Resolution No. 139.09 of March 27, 2009, delivered Stanford Bank's trial balance to the Bank at May 14, 2009.

Below is a summary of Stanford Bank's (unaudited) balance sheet at May 14, 2009:

	(In bolivars)
Assets	
Cash and due from banks	44,034,196
Investment securities	42,015,988
Loan portfolio	244,598,426
Interest and commissions receivable	10,260,148
Property and equipment	7,930,389
Other assets	12,522,149
Total assets	361,361,296
Liabilities and Equity	
Liabilities	
Customer deposits	326,110,212
Borrowings	39,837,565
Other liabilities from financial intermediation	24,177
Interest and commissions payable	413,842
Accruals and other liabilities	26,876,443
Total liabilities	393,262,239
Equity (deficit)	(31,900,943)
Total liabilities and equity	361,361,296
Memorandum accounts	
Contingent debtor accounts	41,537,662
Assets received in trust	370,467
Other debtor memorandum accounts	829,373,870

The merger by absorption of Stanford Bank into the Bank was approved at a Special Shareholders' Meeting of Stanford Bank held on May 14, 2009. Likewise, on May 21, 2009, SUDEBAN, through Resolution published in Official Gazette No. 39,183, resolved to cease the intervention of Stanford Bank after it was acquired by the Bank.

Subsequently, at a Special Shareholders' Meeting of the Bank on May 26, 2009, the merger by absorption of Stanford Bank, the Merger Plan and the merger balance sheet were approved. As a result of the merger:

- Stanford Bank's capital stock, assets and liabilities would be transferred to the Bank under universal title, in conformity with the Venezuelan Code of Commerce.

- The Bank's capital and number of shares would remain the same.

- Stanford Bank would cease to exist as established under Article No. 340 of the Venezuelan Code of Commerce.

At the aforementioned meeting, the Board of Directors was authorized to conduct the merger.

On May 27, 2009, the Bank sent a communication to SUDEBAN that included the minutes of the Special Shareholders' Meeting held on May 26, 2009, the Merger Plan and a request for authorization to make the merger effective at June 30, 2009. Subsequently, through Resolution No. 249.09 published in Official Gazette No. 39,193 on June 4, 2009, SUDEBAN authorized the merger by absorption of Stanford Bank into the Bank and indicated that the merger would become effective when the minutes were registered with the relevant Mercantile Registry. The merger became effective on June 8, 2009.

A summary of the assets and liabilities absorbed by the Bank on June 8, 2009 is shown below:

	(In bolivars)
Assets	
Cash and due from banks	292,675,637
Investment securities	36,892,138
Loan portfolio	243,018,374
Interest and commissions receivable	14,362,791
Property and equipment	7,930,389
Other assets	13,200,492
Total assets	608,079,821
Liabilities	
Customer deposits	283,034,115
Other liabilities from financial intermediation	24,177
Interest and commissions payable	1,088,217
Accruals and other liabilities	109,883,205
Total liabilities	394,029,714
Total net assets	214,050,107

Through a communication sent to SUDEBAN on July 8, 2009, the Bank reported the balances of other assets related to goodwill arising from the difference between the purchase price and the book value of Stanford Bank's assets and liabilities at the merger date, and expenses incurred from the merger date to June 30, 2009. The Bank also reported the balances of memorandum accounts related to unincurred projected expenses from July 1 to December 8, 2009, recorded in conformity with the Merger Plan authorized by SUDEBAN.

Subsequently, through a communication sent to SUDEBAN on February 22, 2010, the Bank reported all expenses incurred from the merger date to December 8, 2009. Below is a breakdown of these balances:

	(In bolivars)
Deferred expenses	
Salaries and employee benefits	9,688,352
General and administrative expenses	33,466,623
Other operating expenses and sundry operating expenses	5,648,964
Expenses from uncollectible loans and interest receivable	18,059,289
	66,863,228

As a result of the acquisition and subsequent merger by absorption of Stanford Bank, at December 31, 2015 the Bank recorded within other assets: a) Bs 14,565.137, related to goodwill arising from the difference between the purchase price and the book value of Stanford Bank's assets and liabilities at the merger date, net of accumulated amortization of Bs 11,392,533, and b) Bs 39,565,709 of deferred charges after it was acquired by the Bank, net of accumulated amortization of Bs 26,377,138 (Note 12).

The difference in the purchase price and deferred charges, in conformity with the Merger Plan submitted to SUDEBAN on May 11 and 13, 2009 and approved at a Special Shareholders' Meeting held on May 26, 2009, and following the instructions contained in Notice SBIF-DSB-06535 issued by SUDEBAN on May 5, 2009 detailing the privileges that would be awarded to the Stanford Bank auction winner, was amortized during the six-month period ended June 30, 2016.

12. Other assets

Other assets comprise the following:

	June 30, 2016	December 31, 2015
	(In bolivars)	
Deferred expenses		
Leasehold improvements, net of amortization	310,755,240	160,034,030
Difference between the purchase price and the book value of Stanford Bank's assets and liabilities, net of accumulated amortization of Bs11,392,533 at December 31, 2015 (Note 11)	-	14,565,137
Chip project expenses (Note 2)	19,510	78,039
Licenses, includes US$7,577 (Note 4)	43,716,027	70,719,649
Operating system (software), includes US$11,695 (US$44,646 at December 31, 2015) (Note 4)	18,983,936	23,382,543
Deferred loss on mortgage loans to companies whose real property was subject to intervention from the Venezuelan government (Note 6)	454,778,221	-
Other deferred expenses	4,939,266	1,332,446
	833,192,200	270,111,844
Deferred expenses of Stanford Bank, net of accumulated amortization of Bs 26,377,138 at December 31, 2015 (Note 11)		
General and administrative expenses	-	19,567,879
Expenses from uncollectible loans	-	10,835,574
Salaries and employee benefits	-	5,772,876
Other operating expenses and sundry operating expenses	-	3,389,380
	-	39,565,709
	833,192,200	309,677,553
Advances on purchase options on premises owned by the Bank	5,156,094,914	2,908,543,744
Advances to suppliers	1,031,681,707	539,775,486
Prepaid taxes and subscriptions (Note 17)	885,540,078	2,755,921
Stationery and sundry supplies	396,339,267	235,787,463
Other prepaid expenses, includes US$368,768 (Note 4)	188,928,754	172,053,686
Pending items	168,117,706	185,435,663
Other sundry accounts receivable, includes US$8,154 (US$15,053 at December 31, 2015) (Note 4)	38,242,683	37,315,148
Contribution required under the Law for the Advancement of Science, Technology and Innovation (Note 1)	41,305,440	-
Bank insurance	38,674,407	40,902,749
Credit card-related accounts receivable and balance offsettings	35,373,358	55,401,228
Inventories of chip credit and debit cards	28,740,039	6,294,390
Accounts receivable from employees	10,841,520	1,363,958
Guarantee deposits, includes US$4,675 (US$1,270,730 at December 31, 2015) (Note 4)	9,346,582	377,185,472
Matured financial instruments receivable, equivalent to US$20,750 (Note 4)	206,981	125,336,071
Accounts receivable from the Mandatory Housing Savings Fund	18,841	4,437
Debt items pending reconciliations, includes US$1,037 (Note 4)	10,349	1,500
Deferred income tax (Note 17)	-	109,135,449
	8,862,654,826	5,106,969,918
Provision for other assets, includes US$21,789	(68,553,904)	(59,769,079)
	8,794,100,922	5,047,200,839

At June 30, 2016, advances for purchase options on premises owned by the Bank were granted to purchase administrative offices and bank agencies for Bs 5,061,094,914 and Bs 95,000,000, respectively, (Bs 2,887,455,273 and Bs 21,088,471 to purchase administrative offices and bank agencies at December 31, 2015).

At June 30, 2016, stationery and sundry supplies include stationery for Bs 274,474,601, office supplies for Bs 80,295,273 and cleaning and other supplies for Bs 41,569,393 (Bs 111,788,572, Bs 111,180,935 and Bs 12,817,956, respectively at December 31, 2015).

At June 30, 2016, other prepaid expenses include Bs 545,382 in respect of leasing of premises for agencies, Bs 11,200,271 for advertising and marketing, Bs 11,497,874 for purchase of software licenses, Bs 35,066,091 for insurance policies and Bs 52,722,947 for other prepaid expenses (Bs 67,250,519, Bs 22,674,542, Bs 28,535,159, Bs 4,879,970 and Bs 23,365,072, respectively, at December 31, 2015 for other prepaid expenses). In addition, at June 30, 2016, the Bank has Bs 77,896,189 (Bs 25,348,424 at December 31, 2015) in respect of prepaid expenses for transportation of valuables.

At December 31, 2015, the Bank has an investment in a Fixed Interest Bond (TIF) issued or guaranteed by the Venezuelan government of Bs 115,944,000 and interest receivable on TIF and Vebonos for Bs 9,392,071, which matured on December 31, 2015. This bond and interest receivable were paid by the BCV on January 4, 2016, which was the first business day following maturity.

At June 30, 2016 and December 31, 2015, advances to suppliers of Bs 1,031,681,707 and Bs 539,775,486, respectively, relate mainly to purchases of equipment, teller machines and remodeling of agencies and the administrative headquarters.

At June 30, 2016 and December 31, 2015, other sundry accounts receivable relate mainly to accounts receivable from employees in connection with insurance policies and reimbursable expenses of Bs 7,484,481 and Bs 10,618,551, respectively; claims and in-transit operations for debit and credit card transactions of Bs 24,118,842 and Bs 21,910,831, respectively, and other accounts receivable for Bs 2,173,393 and Bs 652,881, respectively. Furthermore, at June 30, 2016 and December 31, 2015, other sundry accounts receivable include Bs 4,465,967 and Bs 4,132,885, respectively, in connection with tax on financial transactions reimbursed to tax exempt clients, withheld by the Bank and paid to the Tax Authorities, and taxes withheld from third parties, for which the Bank maintains a provision of Bs 2,377,255 at June 30, 2016 (Bs 2,237,211 at December 31, 2015), shown as part of the provision for other assets.

Through a joint resolution issued on July 29, 2011, the People's Power Ministry for Planning and Finance and the People's Power Ministry for Communes and Social Protection established the mechanisms to assign resources for financing projects developed by communal councils or other forms of social organization. In accordance with this resolution, banks will earmark 5% of their gross pre-tax income to the National Communal Council Fund (SAFONACC) within 30 days of period end. On August 22, 2011, SUDEBAN issued Resolution No. 233.11 to require banks to record this social contribution as a prepaid expense forming part of other assets and to amortize it at a rate of 1/6 per month in the income statement within sundry operating expenses beginning in January or July, as appropriate to each six-month period. In January 2016 and July 2015, the Bank paid Bs 109,717,506 and Bs 58,639,576, respectively, in this connection (Note 19).

Deferred expenses comprise the following:

	June 30, 2016			December 31, 2015		
	Cost	**Accumulated amortization**	**Book value**	**Cost**	**Accumulated amortization**	**Book value**
			(In bolivars)			
Leasehold improvements	405,783,600	(95,028,360)	310,755,240	238,993,668	(78,959,638)	160,034,030
Difference between the purchase price and the book value of Stanford Bank's assets and liabilities	-	-	-	25,957,670	(11,392,533)	14,565,137
Chip project expenses	468,236	(448,726)	19,510	1,642,556	(1,564,517)	78,039
Licenses	106,462,104	(62,746,077)	43,716,027	108,582,225	(37,862,576)	70,719,649
Operating system (software)	44,566,593	(25,582,657)	18,983,936	36,884,575	(13,502,032)	23,382,543
Deferred loss on mortgage loans to companies whose real property was subject to intervention from the Venezuelan government	458,599,887	(3,821,666)	454,778,221	-	-	-
Other deferred expenses	9,315,566	(4,376,300)	4,939,266	2,519,518	(1,187,072)	1,332,446
Deferred expenses of Stanford Bank						
General and administrative expenses	-	-	-	32,613,131	(13,045,252)	19,567,879
Expenses from uncollectible loan portfolio	-	-	-	18,059,289	(7,223,715)	10,835,574
Salaries and employee benefits	-	-	-	9,621,462	(3,848,586)	5,772,876
Other operating expenses and sundry operating expenses	-	-	-	5,648,964	(2,259,584)	3,389,380
	1,025,195,986	(192,003,786)	833,192,200	480,523,058	(170,845,505)	309,677,553

Below is the movement in deferred expenses for the six-month periods ended June 30, 2016 and December 31, 2015:

	Balances at December 31, 2015	**Additions**	**Disposals**	**Balances at June 30, 2016**
		(In bolivars)		
Cost				
Leasehold improvements	238,993,668	180,249,237	(13,459,305)	405,783,600
Difference between the purchase price and the book value of Stanford Bank's assets and liabilities	25,957,670	-	(25,957,670)	-
Chip project expenses	1,642,556	-	(1,174,320)	468,236
Licenses	108,582,225	15,006,567	(17,126,688)	106,462,104
Operating system (software)	36,884,575	13,691,481	(6,009,463)	44,566,593
Deferred loss on mortgage loans to companies whose real property was subject to intervention from the Venezuelan government	-	458,599,887	-	458,599,887
Other deferred expenses	2,519,518	6,796,048	-	9,315,566
Deferred expenses of Stanford Bank				
General and administrative expenses	32,613,131	-	(32,613,131)	-
Expenses from uncollectible loans	18,059,289	-	(18,059,289)	-
Salaries and employee benefits	9,621,462	-	(9,621,462)	-
Other operating expenses and sundry operating expenses	5,648,964	-	(5,648,964)	-
	480,523,058	674,343,220	(129,670,292)	1,025,195,986
Accumulated amortizations				
Leasehold improvements	78,959,638	28,501,602	(12,432,880)	95,028,360
Difference between the purchase price and the book value of Stanford Bank's assets and liabilities	11,392,533	14,565,137	(25,957,670)	-
Chip project expenses	1,564,517	58,529	(1,174,320)	448,726
Licenses	37,862,576	42,010,189	(17,126,688)	62,746,077
Operating system (software)	13,502,032	17,999,040	(5,918,415)	25,582,657
Deferred loss on mortgage loans to companies whose real property was subject to intervention from the Venezuelan government	-	3,821,666	-	3,821,666
Other deferred expenses	1,187,072	3,189,228	-	4,376,300
Deferred expenses of Stanford Bank				
General and administrative expenses	13,045,252	19,567,879	(32,613,131)	-
Expenses from uncollectible loans	7,223,715	10,835,574	(18,059,289)	-
Salaries and employee benefits	3,848,586	5,772,876	(9,621,462)	-
Other operating expenses and sundry operating expenses	2,259,584	3,389,380	(5,648,964)	-
	170,845,505	149,711,100	(128,552,819)	192,003,786
	309,677,553			833,192,200

	Balances at June 30, 2015	Additions	Disposals	Balances at December 31, 2015
		(In bolivars)		
Cost				
Leasehold improvements	187,100,810	143,473,086	(91,580,228)	238,993,668
Difference between the purchase price and the book value of Stanford Bank's assets and liabilities	25,957,670	-	-	25,957,670
Chip project expenses	1,642,556	-	-	1,642,556
Licenses	52,487,915	64,787,117	(8,692,807)	108,582,225
Operating system (software)	11,346,649	29,650,268	(4,112,342)	36,884,575
Other deferred expenses	1,623,138	896,380	-	2,519,518
Deferred expenses of Stanford Bank				
General and administrative expenses	32,613,131	-	-	32,613,131
Expenses from uncollectible loans	18,059,289	-	-	18,059,289
Salaries and employee benefits	9,621,462	-	-	9,621,462
Other operating expenses and sundry operating expenses	5,648,964	-	-	5,648,964
	346,101,584	238,806,851	(104,385,377)	480,523,058
Accumulated amortization				
Leasehold improvements	66,249,533	21,012,961	(8,302,856)	78,959,638
Difference between the purchase price and the book value of Stanford Bank's assets and liabilities	10,527,278	865,255	-	11,392,533
Chip project expenses	1,359,197	205,320	-	1,564,517
Licenses	14,291,478	32,263,905	(8,692,807)	37,862,576
Operating system (software)	7,660,059	9,954,315	(4,112,342)	13,502,032
Other deferred expenses	743,938	443,134	-	1,187,072
Deferred expenses of Stanford Bank				
General and administrative expenses	11,958,148	1,087,104	-	13,045,252
Expenses from uncollectible loans	6,621,739	601,976	-	7,223,715
Salaries and employee benefits	3,527,871	320,715	-	3,848,586
Other operating expenses and sundry operating expenses	2,071,285	188,299	-	2,259,584
	125,010,526	66,942,984	(21,108,005)	170,845,505
	221,091,058			309,677,553

Leasehold improvements include additions in the first semester of 2016 for Bs 180,249,238 (Bs 143,473,086 during the six-month period ended December 31, 2015) mainly in respect of improvements to the Bank's agencies.

The additions to licenses are mainly in respect of purchases of antivirus licenses for computer equipment.

During the six-month period ended June 30, 2016, the Bank recorded amortization of deferred expenses of Bs 149,711,099 (Bs 66,942,984 during the six-month period ended December 31, 2015), shown in the income statement under general and administrative expenses (Note 21).

The balance of pending items comprises the following:

	June 30, 2016	December 31, 2015
	(In bolivars)	
In-transit operations (internet deposit remittances)	154,785,398	175,870,541
In-transit operations (bank tellers and remittances in foreign currency)	3,038,487	621,425
Difference in exchange for credit cards	853,819	3,224,210
Cash shortages	9,263,561	5,649,452
Other pending items	176,441	70,035
	168,117,706	185,435,663

At June 30, 2016 and December 31, 2015, in-transit operations for Bs 154,785,398 and Bs 175,870,541, respectively, relate to in-transit cash remittances from customer deposits, which clear in the first days of July and January 2016, respectively.

Below is the movement in the provision for other assets:

	June 30, 2016	December 31, 2015
	(In bolivars)	
Balance at the beginning of the period	59,769,079	118,933,489
Provided in the period (Note 19)	9,984,436	8,001,500
Write-offs of unrecoverable accounts	(1,199,611)	(67,165,910)
Balance at the end of the period	68,553,904	59,769,079

13. Customer deposits

Customer deposits comprise the following:

	June 30, 2016	December 31, 2015
	(In bolivars)	
Checking account deposits and certificates		
Non-interest-bearing checking accounts	107,943,260,589	76,151,591,481
Interest-bearing checking accounts	20,150,622,811	12,634,407,943
Checking accounts under Exchange Agreement No. 20, equivalent to US$4,295,463 (US$5,185,865 at December 31, 2015) (Note 4)	42,847,241	32,589,011
Demand deposits and certificates		
Public, State and Municipal Administration	3,791,129,363	131,137,057
Non-negotiable demand deposits, bearing annual interest at between 0% and 14.50%, maturing between July 2015 and August 2016	20,017,267,183	20,089,532,416
	151,945,127,187	109,039,257,908
Other demand deposits		
Cashier's checks	1,176,207,395	803,620,450
Advance collections from credit card holders	20,086,153	34,322,090
Advance deposits for letters of credit	1,164,638,034	28,611,302
Trust fund liabilities (Note 21)	167,649,667	285,869,067
Housing Savings Fund liabilities (Note 21)	5,484,244	3,047,103
	2,534,065,493	1,155,470,012
Savings deposits, bearing 16% annual interest for savings deposits for individuals with daily balances under Bs 20,000, 12.50% for other deposits in bolivars, and 0.125% for deposits in U.S. dollars, includes US$41,089,139 and €588,228 (US$50,477,719 and €1,091,106 at December 31, 2015) (Note 4)	29,674,737,049	26,432,814,123
Time deposits, bearing 14.50% annual interest for deposits in bolivars and at between 0.02% and 3.50% for deposits in U.S. dollars, includes US$8,262,898 (US$15,104,381 at December 31, 2015), with the following maturities (Note 4)		
Up to 30 days	8,427,786,241	5,184,355,253
31 to 60 days	3,333,993,619	3,313,574,177
61 to 90 days	1,324,849,609	1,006,881,729
91 to 180 days	319,901,288	1,113,480,046
181 to 360 days	24,511,475	20,711,000
Over 361 days	3,850,000	-
	13,434,892,232	10,639,002,205
Securities issued by the Bank	187,309,688	-
Restricted customer deposits, equivalent to US$1,355,000	13,516,125	37,916,962
	197,789,647,774	147,304,461,210

At June 30, 2016 and December 31, 2015, restricted customer deposits correspond to guarantee deposits for loans granted by the Branch. At June 30, 2016 and December 31, 2015, the Bank has a guarantee document on these deposits.

Deposits from the Venezuelan government and government agencies comprise the following:

	June 2016, 2016	December 31, 2015
	(In bolivars)	
Non-interest-bearing checking accounts	7,242,265,226	3,162,505,945
Interest-bearing checking accounts, at 0.25% annual interest	3,489,986,753	2,720,948,913
Savings deposits, at 12.5% annual interest	1,355,404,271	281,173,837
Non-negotiable demand deposits	3,791,129,363	131,137,057
Time deposits, at 14.5% annual interest	2,731,822,745	219,949,800
	18,610,608,358	6,515,715,552

At a Special Shareholders' Meeting held on March 26, 2014, the Board of Directors was authorized to issue commercial papers with a par value of Bs 200,000,000 and fixed maturities ranging from 15 to 360 days as from the date each series is issued. These commercial papers may not be paid in advance and shall mature within the deadline set in the SNV's authorization. This issue was approved by SUDEBAN on July 1, 2014 through Notice SIB-II-GGIBPV-GIBPV2-22407. On October 2, 2015, through Resolution No. 063, the SNV authorized the public offering of bearer commercial papers. All commercial papers were placed during January 2016. At June 30, 2016, securities held by the Bank amount to Bs 187,309,688.

14. Borrowings

Borrowings comprise the following:

	June 30, 2016	December 31, 2015
	(In bolivars)	
Borrowings from Venezuelan financial institutions, up to one year		
Demand deposits		
Certificates of deposit with Banco de Comercio Exterior (BANCOEX), maturing in July 2016, with annual interest at between 7.5% and 8.5% (maturing in January 2016, with 7% annual interest at December 31, 2015)	111,742,055	128,627,913
Certificates of deposit with Banco del Alba, maturing in July 2016, with 5.5% annual interest (maturing in January 2016, with annual interest at between 3.75% and 4.50% at December 31, 2015)	10,772,742	30,175,255
Non-interest-bearing checking account with Mi Banco, Banco Microfinanciero, C.A.	760,073	1,196,049
Non-interest-bearing checking account with Banplus, Banco Universal, C.A.	43,434	42,809
	123,318,304	160,042,026
Borrowings from foreign financial institutions, up to one year		
Demand deposits		
Checking account with Caracas International Banking Corporation, at 0.25% per annum (Note 25)	943,046	941,855
Checking account with Bancaribe Curacao Bank, N.V.	626,694	626,694
	1,569,740	1,568,549
	124,888,044	161,610,575

Through Resolution No. 113.14 of August 13, 2014, SUDEBAN set interbank deposit limits, which should be the lower amount resulting from comparing 10% of the total equity of the placing financial institution at the previous month end with 10% of the total equity of the receiving financial institution at the previous month end.

15. Interest and commissions payable

Interest and commissions payable comprise the following:

	June 30, 2016	December 31, 2015
	(In bolivars)	
Expenses payable on customer deposits		
Deposits in interest-bearing checking accounts	1,112,405	426,434
Non-negotiable demand deposits	115,275,474	80,618,026
Time deposits, includes US$12,140 (US$27,086 at December 31, 2015) (Note 4)	191,001,110	147,440,099
	307,388,989	228,484,559
Expenses payable on borrowings		
Expenses payable on borrowings	451,773	335,089
	307,840,762	228,819,648

16. Accruals and other liabilities

Accruals and other liabilities comprise the following:

	June 30, 2016	December 31, 2015
	(In bolivars)	
Pending items, includes US$22,416 (US$23,722 at December 31, 2015) (Note 4)	2,590,460,299	1,616,995,034
Income tax provision, includes US$2,175 (US$4,876 at December 31, 2015) (Notes 4 and 17)	636,149,596	1,177,832,641
Accrual for length-of-service benefits (Notes 1 and 2-j)	504,150,724	233,229,786
Withholding tax, includes US$1,414 (US$1,487 at December 31, 2015) (Note 4)	373,469,901	236,936,516
Deferred interest income, includes US$2,084,725 (US$1,782,772 at December 31, 2015) (Notes 2-k and 4)	463,480,543	275,530,707
Suppliers and other sundry payables, includes US$415,828 (US$17,804 at December 31, 2015) (Note 4)	335,320,592	185,475,720
Cashier's checks	169,397,587	41,055,541
Municipal and other taxes	159,186,477	117,314,055
Dividends payable (Note 23)	140,000,000	-
Vacations and vacation bonus payable, includes US$4,565 (US$2,991 at December 31, 2015) (Notes 2-j and 4)	139,182,382	70,505,562
Profit sharing (Note 2-j)	138,958,910	-
Fees for credit and debit card services	123,936,568	56,761,237
Leases	83,422,892	28,040,975
Other provisions	76,784,923	45,841,118
Accounts payable in foreign currency, equivalent to US$3,239,861 (US$1,230,144 at December 31, 2015) (Note 4)	36,283,376	7,730,473
Professional fees payable	29,647,474	18,513,817
Labor contributions and withholdings payable, includes US$1,243	27,912,052	12,147,469
Deferred tax liability (Note 17)	24,526,483	-
Contribution for the prevention of money laundering and terrorism financing	22,202,276	35,107,700
Other personnel expenses	18,310,556	323,472
Sports and Physical Education Law (Note 1)	13,139,082	20,511,560
Other	11,052,951	6,896,237
Ezequiel Zamora Fund withholdings (Note 6)	6,419,129	4,850,498
Advertising payable	3,073,798	48,893
Provisions for contingent loans (Note 21)	2,653,400	55,860,234
	6,129,121,971	4,247,509,245

Deferred interest income mainly relates to loan interest collected in advance and yield on loan portfolio with a collection term over 6 months, commissions and gain on sale of deferred securities.

At June 30, 2016 and December 31, 2015, other provisions include Bs 14,962,500 and Bs 9,426,300, respectively, equivalent to US$1,500,000, in connection with accounts payable to CADIVI on credit card transactions abroad from 2006 to 2009 and the first 10 days of January 2010, recorded in conformity with CADIVI Notice PREVECPGSCO-00001 of January 2, 2012. On September 30, 2013, the Bank informed CADIVI about the reconciliation of these transactions conducted by users of the foreign currency administration system. At December 31, 2015, the Bank is awaiting for the respective authorizations from the BCV to sell the foreign currency.

At June 30, 2016 and December 31, 2015, other provisions include a provision for municipal taxes, fines and interest of Bs 7,969,453 and Bs 7,967,625, respectively; Bs 9,192,626 and Bs 3,324,186, respectively, in connection with other provisions; Bs 2,136,608 and Bs 2,701,278, respectively, for money laundering prevention projects. Through Notice SIB-II-GGIBPV-GIBPV4-10112 of April 6, 2016, SUDEBAN reminded the Bank to cease its practice to pay interest on contributions pending capitalization; however, to avoid reversals in the aforementioned accrual, SUDEBAN ordered to maintain this liability, which at January 2016 amounted to Bs 47,146,007, to cover possible future contingencies. At June 30, 2016, the Bank maintains Bs 42,523,736 in this connection. In addition, at December 31, 2015, the Bank maintains a provision for possible losses for Bs 22,421,729.

At June 30, 2016 and December 31, 2015, fees for credit and debit card services of Bs 123,936,568 and Bs 56,761,237, respectively, mainly correspond to fees for the use of the VISA, Maestro, MasterCard and Suiche 7B trademarks and to point-of-sale and teller machine transactions. At June 30, 2016 and December 31, 2015, the Bank recorded expenses in this connection of Bs 346,282,513 and Bs 192,765,706, respectively, included within service fees under other operating expenses (Note 19).

At June 30, 2016 and December 31, 2015, accounts payable in foreign currency are mainly in respect of interest payable to clients for intermediation of securities in foreign currency. The Bank pays interest to customers on a monthly basis. In case customer information available is not sufficient to complete the transfers, the Bank issues an annual press release informing such customers of the situation.

At June 30, 2016 and December 31, 2015, suppliers and other sundry payables are mainly in respect of accounts payable for services of Bs 235,852,969 and Bs 133,821,647, respectively, pending claims, returns and credit cards of Bs 81,223,389 and Bs 35,089,672, respectively, and other accounts payable of Bs 26,885,043 and Bs 16,564,401, respectively.

Below is the movement in the provisions for contingent loans:

	June 30, 2016	**December 31, 2015**
	(In bolivars)	
Balances at the beginning of the period	55,860,234	25,134,423
Reclassification (to) from allowance for losses on loan portfolio (Note 6)	(53,206,834)	30,725,811
Balances at the end of the period	2,653,400	55,860,234

The balance of pending items comprises the following:

	June 30, 2016	December 31, 2015
	(In bolivars)	
Credit items pending reconciliation	1,058,323,863	591,123,481
Point-of-sale transactions payable	1,034,330,467	812,696,422
Suiche 7B transactions payable	152,785,182	121,409,769
Collection of government and municipal taxes	318,564,312	76,462,464
Cash surplus	12,415,114	11,360,975
Other pending items, includes US$1,416 (US$2,722 at December 31, 2015)	13,818,538	3,808,425
In-transit operations through SICAD, equivalent to US$21,000	209,475	131,968
In-transit operations	3,000	30
Other credit items pending reconciliation	10,348	1,500
	2,590,460,299	1,616,995,034

Point-of-sale transactions payable correspond to the use of points of sale of other financial institutions by Bank customers. Most of these transactions clear in the month following period closing.

At June 30, 2016 and December 31, 2015, credit items pending reconciliation mainly include clearinghouse balances of Bs 1,053,996,085 and Bs 590,762,264, respectively, which clear the next working day after their recording.

At June 30, 2016 and December 31, 2015, collection of government and municipal taxes includes national and municipal taxes paid by individuals and corporations to the Tax Authorities between July 6 and 7, and January 4 and 5, 2016, respectively.

Suiche 7B transactions payable correspond to cash withdrawals from teller machines of other financial institutions by Bank customers. Most of these transactions clear in the month following period closing.

At June 30, 2016 and December 31, 2015, in-transit operations through SICAD for Bs 209,475 and Bs 131,968, respectively, relate to foreign currency trading pending liquidation to individuals awarded in BCV's auctions.

17. Taxes

a) Income tax

The Bank's tax year ends on December 31. The main differences between income/loss recognized for accounting and tax purposes arise from provisions and accruals that are normally tax deductible in subsequent periods, tax-exempt income from National Public Debt Bonds and other securities issued by the Venezuelan government.

Venezuelan Income Tax Law of February 16, 2007 allowed tax losses to be carried forward for 3 years to offset taxable income, except those arising from the annual inflation adjustment, which could be carried forward for only one year. The Reform of the Income Tax Law was published in the Extraordinary Official Gazette on November 18, 2014. The Law establishes, among other things, that net operating losses may be carried forward for 3 years provided that they do not exceed 25% of annual income in each period, whereas uncompensated losses arising from the annual inflation adjustment may not be carried forward to future years. In addition, the Law excludes banking institutions from the tax inflation adjustment provided in it. This Reform is effective as from its publication in the Official Gazette and applies to tax years beginning after its effective date. At December 31, 2015, the Bank has tax loss carryforwards from the annual inflation adjustment of Bs 925,830,663.

The Reform of the Income Tax Law was published in Official Gazette No. 6,210 of December 30, 2015. The main changes of the new Law are: it modifies the availability of income, indicating when income becomes taxable, limiting the requirement of being solely paid to salaries and fortuitous gains; investment tax credits are eliminated; income tax must be withheld when the amount is paid or credited to the account, which is understood as the simple recording of said amount in the payer's accounting records; a tax rate of 40% is established for income derived from banking, financial, insurance or reinsurance activities. This Reform applies to tax years beginning January 1, 2016.

At June 30, 2016, the Bank has prepaid income tax of Bs 873,852,597, which is part of other assets and is included under prepaid taxes and subscriptions (Note 12).

For the six-month periods ended June 30, 2016 and December 31, 2015, the Bank estimated territorial tax expenses Bs 600,000,000 and Bs 885,000,000, respectively.

During the six-month period ended June 30, 2016, the Branch recorded estimated income tax expense of US$1,916 (US$2,837 during the six-month period ended December 31, 2015). On June 27, 2013, the Curacao Tax Authorities approved the extension of Tax Ruling No. UR 15-1483 until December 31, 2016; according to this ruling, the Branch must calculate tax payable on the basis of 7% of the costs of its activities since the commencement of Branch operations, except for disbursement costs and interest on debt with a tax rate of 22%. Disbursements include costs of services provided by third parties which are not considered part of the Branch's activities, except for service fees, office and equipment leasing and telecommunication expenses, among others (Note 8).

The tax expense comprises the following:

	June 30, 2016	December 31, 2015
	(In bolivars)	
Income tax		
Current	600,019,110	885,017,829
Deferred	133,661,932	(51,358,219)
	733,681,042	833,659,610

b) Deferred income tax

Bank management recognizes a deferred tax asset in its financial statements when there is reasonable expectation that future tax results will allow its realization. Furthermore, the Accounting Manual establishes, among other things, that the Bank may not recognize a deferred tax asset for any amount exceeding taxable income (Note 2-i).

Bank management determined and evaluated the deferred tax recorded. The main differences between the tax base and the carrying amount at June 30, 2016 and December 31, 2015 relate to the provision for high-risk and uncollectible loans and interest receivable, property and equipment, deferred expenses and sundry provisions. At June 30, 2016, the Bank maintains a deferred tax liability of Bs 24,526,483, included under accruals and other liabilities (Note 16) (deferred tax asset of Bs 109,135,449 at December 31, 2015, shown under other assets (Note 12).

The components of the deferred tax asset are as follows:

	June 30, 2016	December 31, 2015
	(In bolivars)	
Asset		
Provision for other assets	20,459,970	20,306,212
Other provisions and accruals	81,294,627	69,898,853
Provision for other contingencies	14,442,400	14,365,161
Allowance for losses on loan portfolio and provision for interest receivable	7,803,968	4,565,223
	124,000,965	109,135,449
Liabilities		
Deferred losses on mortgage loans	136,160,599	-
Prepaid expenses	12,366,849	-
	148,527,448	-
Deferred income tax asset (liability)	(24,526,483)	109,135,449

The movements in the deferred income tax asset (liability) accounts are summarized below:

	Provision for other assets	Provision for other contingencies	Other provisions and accruals	Allowance for losses on loan portfolio and provision for interest receivable	Deferred losses on mortgage loans	Prepaid expenses	Total deferred income tax asset (liability)
				(In bolivars)			
At June 30, 2015	28,461,263	8,413,776	18,459,214	2,442,977	-	-	57,777,230
(Credited) charged to the income statement	(8,155,051)	5,951,385	51,439,639	2,122,246	-	-	51,358,219
At December 31, 2015	20,306,212	14,365,161	69,898,853	4,565,223	-	-	109,135,449
(Credited) charged to the income statement	153,758	77,239	11,395,774	3,238,745	(136,160,599)	(12,366,849)	(133,661,932)
At June 30, 2016	20,459,970	14,442,400	81,294,627	7,803,968	(136,160,599)	(12,366,849)	(24,526,483)

c) Transfer pricing

According to transfer-pricing regulations, taxpayers that conduct transactions with related parties abroad are required to calculate income, costs and deductions applying the methodology set out in the Law. The Bank conducts transactions with related parties abroad. In June 2016, the Bank filed the transfer-pricing return (PT-99) for the year ended December 31, 2015.

d) Tax on economic activities

The Constitution of the Bolivarian Republic of Venezuela and the Municipal Public Power Law set the tax on economic activities that levies gross income from any for-profit economic, industrial and commercial activities or similar services regularly or occasionally performed in the jurisdiction of a municipality in a business establishment, office or physical location.

At June 30, 2016 and December 31, 2015, the Bank recorded a tax expense of Bs 340,370,920 and Bs 185,408,327, respectively, in connection with the economic activities conducted in its offices nationwide, shown under general and administrative expenses (Note 20).

e) Law on Tax on Large Financial Transactions

On December 30, 2015, the Venezuelan government enacted the Law on Tax on Large Financial Transactions, whose tax rate is 0.75% applicable to operations made by incorporated and unincorporated entities that have been qualified by Seniat’s System for Liquidation and Self-liquidation of Customs Duties as special taxpayers and by incorporated and unincorporated entities legally bound to them or that make payments on their behalf. Similarly, Venezuelan banks and financial institutions also pay this tax based on the transactions laid down in the aforementioned Law that give rise to such payment. This tax will effective as from February 1, 2016. At June 30, 2016, the Bank maintains Bs 58,289,320 as part of withheld taxes, under accruals and other liabilities (Note 16). During the six-month period ended June 30, 2016, the Bank recognized expenses of Bs 93,910,262 in this connection, shown under general and administrative expenses (Note 20).

18. Other operating income

Other operating income comprises the following:

	Six-month periods ended	
	June 30, 2016	**December 31, 2015**
	(In bolivars)	
Service fees	1,800,641,242	1,032,546,608
Gain on sale of investments in available-for-sale securities (Note 5-a)	149,426,979	51,848,882
Gain on foreign currency arbitrage (Note 6)	36,908,282	-
Commissions on trust funds (Note 21)	24,633,743	20,850,341
Exchange gain (Note 4)	2,175,692	7,529,647
Income from amortization of discount on held-to-maturity investments	779,060	754,408
	2,014,564,998	1,113,529,886

Sundry operating income comprises the following:

	Six-month periods ended	
	June 30, 2016	**December 31, 2015**
	(In bolivars)	
Income from expenses recovered	33,036,802	9,314,273
Other	6,681,003	7,903,328
	39,717,805	17,217,601

19. Other operating expenses

Other operating expenses comprise the following:

	Six-month periods ended	
	June 30, 2016	**December 31, 2015**
	(In bolivars)	
Service fees (Note 16)	355,898,778	202,906,020
Amortization of premiums on held-to-maturity investments	64,484,455	70,628,348
Loss on sale of investments in available-for-sale securities (Note 5-a)	37,904,718	26,170,249
Exchange loss (Note 4)	10,922,994	17,911,060
	469,210,945	317,615,677

Sundry operating expenses comprise the following:

	Six-month periods ended	
	June 30, 2016	December 31, 2015
	(In bolivars)	
Contribution to the National Fund for Communal Councils (Note 12)	109,717,506	58,639,576
Contribution for the Antidrug Law (Note 1)	22,202,276	22,683,923
Contribution for the Law for the Advancement of Science, Technology and Innovation (Note 1)	41,305,440	18,779,288
Contribution for the Sports and Physical Education Law (Note 1)	17,252,809	13,518,662
Provision for other contingencies (Note 28)	48,060,136	8,004,215
Provision for other assets (Note 12)	9,984,436	8,001,500
Provision for pending vacation	21,973,203	3,173,615
Other	6,103,617	9,940,289
	276,599,423	142,741,068

20. General and administrative expenses

General and administrative expenses comprise the following:

	Six-month periods ended	
	June 30, 2016	December 31, 2015
	(In bolivars)	
Transportation of valuables and surveillance	1,096,026,439	466,346,642
Stationery and office supplies	667,421,641	279,913,876
Maintenance and repairs	478,447,090	333,099,435
Outsourced services	428,549,295	231,385,444
Leases	343,341,491	231,862,807
Tax on economic activities (Note 17)	340,370,920	185,408,327
Depreciation and impairment of property and equipment (Note 10)	329,142,078	170,281,874
Consulting and external audit	301,965,021	165,810,163
Transportation and communications	169,627,913	123,314,019
Amortization of deferred expenses (Note 12)	149,711,099	66,942,984
Infrastructure expenses	124,801,156	68,463,648
Advertising	111,101,516	70,446,925
Tax on Large Financial Transactions (Note 18)	93,910,262	-
Sundry general expenses	76,866,487	62,204,187
Legal advice	73,397,196	17,189,493
Insurance	46,867,668	16,033,946
Public relations	21,005,130	8,321,316
Utilities	6,926,764	4,567,737
Other taxes and contributions	5,154,446	1,038,178
Other	9,069,673	2,319,342
	4,873,703,285	2,504,950,343

21. Memorandum accounts

Memorandum accounts comprise the following:

	Six-month periods ended	
	June 30, 2016	December 31, 2015
	(In bolivars)	
Contingent debtor accounts		
Credit card lines of credit (Note 22)	10,039,333,770	7,195,394,444
Guarantees granted (Note 22)	235,513,600	580,060,140
Letters of credit issued but not negotiated, includes US$2,927,917 (US$823,497 at December 31, 2015) (Note 22)	29,826,362	5,795,413
Lines of credit for discounts and factoring (Note 22)	22,563,205	20,344,558
	10,327,236,937	7,801,594,555
Assets received in trust	5,020,694,030	3,783,092,664
Debtor accounts from other special trust services (Housing Loan System)	2,175,397,376	1,553,879,525
Other debtor memorandum accounts		
Guarantees received, includes US$90,346,312 (US$21,206,064 at December 31, 2015)	275,232,815,322	156,524,784,338
Lines of credit available, includes US$2,755,340 at December 31, 2015	32,588,779,844	26,990,845,949
Assets held in custody, includes US$258,723,415 (US$311,561,717 at December 31, 2015)	7,167,923,977	5,600,560,371
Projection of possible losses from loans granted to individuals or corporations whose assets were subject to expropriation, occupation, intervention or preventively seized by the Venezuelan government	-	716,782,016
Uncollectible accounts written off	328,885,895	344,791,467
Deferred interest receivable on loans overdue and in litigation, includes US$260,072 (US$64,928 at December 31, 2015 (Note 6)	42,504,598	294,395,838
Collections in foreign currency, equivalent to US$6,810,323 (US$25,359,270 at December 31, 2015) (Note 4)	67,932,968	159,362,723
Guarantees on collateral granted	103,132,668	136,155,696
Guarantees in foreign currency, equivalent to US$7,221,259 (US$24,719,452 at December 31, 2015)	72,032,060	155,341,978
Performance bonds from suppliers	70,161,159	50,934,690
Securities held by other financial institutions, includes US$13,854,500 (US$13,974,800 at December 31, 2015)	138,198,638	87,820,438
Debt reconciling and written off items, includes US$368,631 and €9,047	99,059,142	95,558,041
Personal and real property written off (Note 9)	17,662,247	17,690,536
Foreign currency purchases, equivalent to US$1,374,314 at December 31, 2015 (Note 4)	-	8,636,462
Taxes receivable	1,616,964	1,616,964
Currency awarded through SICAD, includes US$23,684 (US$37,594 at December 31, 2015)	236,250	236,250
Mortgage guarantees pending release	-	86,605
Foreign currency sales, equivalent to US$1,374,313 at December 31, 2015 (Note 4)	-	(8,636,462)
Other	2,207,156	2,291,630
	315,933,148,888	191,179,255,530
	333,456,477,231	204,317,822,274

At June 30, 2016 and December 31, 2015, securities in custody of other financial institutions of Bs 138,198,638 and Bs 87,820,438, respectively, are held in Commerzbank, A.G.

At June 30, 2016, in accordance with the Accounting Manual, the Bank has set aside a general and specific provision for contingent debtor accounts of Bs 2,653,400 (Bs 55,860,234 at December 31, 2015), shown under accruals and other liabilities (Note 16).

Below is a breakdown of assets received in trust:

	June 30, 2016	December 31, 2015
	(In bolivars)	
Type of trust fund		
Length-of-service benefits	4,321,376,837	3,220,027,299
Administration	447,003,051	335,127,314
Investment	252,314,142	227,938,051
	5,020,694,030	3,783,092,664

At June 30, 2016, combined trust fund assets include Bs 2,276,275,732 in respect of trust funds opened by government agencies, representing 45.34% of total assets received in trust (Bs 1,602,662,334, representing 42.36% at December 31, 2015).

Combined trust fund accounts include the following balances, according to the financial statements of the trust:

	June 30, 2016	December 31, 2015
	(In bolivars)	
Assets		
Cash and due from banks (Note 13)	167,649,667	285,869,067
Investment securities	2,684,461,426	1,924,823,580
Loan portfolio	2,075,656,863	1,508,161,034
Loans and advances to beneficiaries of length-of-service benefits	2,075,650,134	1,458,646,357
Advances to beneficiaries of infrastructure works	-	49,508,560
Loans receivable	6,729	6,117
Interest and commissions receivable		
Interest receivable on investment securities	47,146,785	32,395,430
Other assets	45,779,289	31,843,553
Total assets	5,020,694,030	3,783,092,664
Liabilities and Equity		
Liabilities		
Other liabilities	8,129,469	7,327,659
Total liabilities	8,129,469	7,327,659
Equity		
Capital assigned to trusts	4,831,933,752	3,584,328,348
Retained earnings	180,630,809	191,436,657
Total equity	5,012,564,561	3,775,765,005
Total liabilities and equity	5,020,694,030	3,783,092,664

At June 30, 2016 and December 31, 2015, cash and due from banks includes Bs 167,649,667 and Bs 285,869,067 respectively, related to funds received from trust fund operations that are managed through checking accounts with the Bank and are used to receive or pay all funds; they earn 6% annual interest (Note 13). During the six-month period ended June 30, 2016 and December 31, 2015, the Bank's trust fund earned income of Bs 7,408,320 and Bs 3,912,729, respectively, from cash and due from banks.

Investment securities included in trust fund accounts, recorded at amortized cost, comprise the following:

	June 30, 2016			
	Acquisition cost	Amortized cost	Fair value	
		(In bolivars)		
Securities issued or guaranteed by the Venezuelan government				
Vebonos, with a par value of Bs 1,016,867,000, annual yield at between 9.84% and 16.20%, maturing between March 2017 and June 2032	1,052,166,028	1,025,629,190	1,078,093,595	(1) (a)
Fixed Interest Bond (TIFs), with a par value of Bs 984,415,750, annual yield at between 9.88% and 18.00%, maturing between September 2016 and March 2032	1,091,603,198	1,074,523,371	1,125,938,442	(1) (a)
	2,143,769,226	2,100,152,561	2,204,032,037	
Debt securities issued by Venezuelan non-financial private-sector companies				
Debenture bonds				
FVI Fondo de Valores Inmobiliarios, with a par value of Bs 70,000,000, annual yield at between 9.12% and 12%, maturing between September 2017 and May 2022	70,000,000	70,000,000	70,000,000	(2) (b)
Netuno, C.A. with a par value of Bs 5,000,000, 14% annual yield, maturing in January 2018	5,000,000	5,000,000	5,000,000	(2) (b)
Corporación Digitel, C.A., with a par value Bs 90,284,000, annual yield at between 15.77% and 16.20%, maturing between November 2017 and 2018	90,436,840	90,339,529	90,284,000	(2) (b)
Cerámica Carabobo, S.A., with a par value Bs 250,000,000, 15% annual yield, maturing in February 2019	250,000,000	250,000,000	250,000,000	(2) (b)
	415,436,840	415,339,529	415,284,000	
Debt securities issued by Venezuelan financial private-sector companies				
Banco Occidental de Descuento, Banco Universal, with a par value of Bs 63,808,284, 14.5% annual yield, maturing in August 2016	68,643,086	68,643,086	68,643,086	(2) (c)
Banco Caroní, Banco Universal, with a par value of Bs 100,326,250, 13.50% annual yield, maturing in July 2016	100,326,250	100,326,250	100,326,250	(2) (d)
	168,969,336	168,969,336	168,969,336	
	2,728,175,402	2,684,461,426	2,788,285,373	

	December 31, 2015			
	Acquisition cost	Amortized cost	Fair value	
		(In bolivars)		
Securities issued or guaranteed by the Venezuelan government				
Vebonos, with a par value of Bs 830,473,000, annual yield at between 10.28% and 16.65%, maturing between May 2016 and 2029	867,103,614	846,908,116	927,697,145	(1) (a)
Fixed Interest Bond (TIFs), with a par value of Bs 671,643,000, annual yield at between 9.88% and 18%, maturing between June 2016 and February 2030	769,773,105	756,993,647	838,872,215	(1) (a)
	1,636,876,719	1,603,901,763	1,766,569,360	
Debt securities issued by Venezuelan non-financial private-sector companies				
Debenture bonds				
Corporación Digitel, C.A., with a par value of Bs 90,284,000, annual yield at between 12.50% and 13.50%, maturing between November 2017 and 2018	90,436,840	90,359,320	90,284,000	(2) (b)
FVI Fondo de Valores Inmobiliarios, with a par value of Bs 20,000,000, 9.52% annual yield, maturing in September 2017	20,000,000	20,000,000	20,000,000	(2) (b)
Netuno, C.A., with a par value of Bs 5,000,000, 14% annual yield, maturing in January 2018	5,000,000	5,000,000	5,000,000	(2) (b)
	115,436,840	115,359,320	115,284,000	
Debt securities issued by Venezuelan financial private-sector companies				
Banco Occidental de Descuento, Banco Universal, with a par value of Bs 63,808,284, 14.5% annual yield, maturing in February 2016	63,808,284	63,808,285	63,808,284	(2) (c)
Banco Sofitasa Banco Universal, C.A., with a par value of Bs 41,754,212, 14.5% annual yield, maturing in January 2016	41,754,212	41,754,212	41,754,212	(2) (d)
Banco Venezolano de Crédito, C.A., Banco Universal, with a par value of Bs 50,000,000, 17% annual yield, maturing in January 2016	50,000,000	50,000,000	50,000,000	(2) (e)
Bancrecer S.A., Banco Microfinanciero, with a par value of Bs 50,000,000, 15.50% annual yield, maturing in February 2016	50,000,000	50,000,000	50,000,000	(2) (f)
	205,562,496	205,562,497	205,562,496	
	1,957,876,055	1,924,823,580	2,087,415,856	

(1) Fair value determined from trading operations on the secondary market or from the present value of estimated future cash flows.

(2) Corresponds to par value, which is considered as fair market value.

Custodians of investments

(a) Banco Central de Venezuela

(b) Caja Venezolana de Valores, S.A.

(c) Banco Occidental de Descuento, Banco Universal

(d) Banco Caroní, C.A. Banco Universal

(e) Banco Sofitasa, Banco Universal, C.A.

(f) Venezolano de Crédito Banco Universal

(g) Bancrecer, S.A. Banco Microfinanciero

Below is the classification of investment securities according to maturity:

	June 30, 2016		December 31, 2015	
	Amortized cost	**Fair value**	**Amortized cost**	**Fair value**
	(In bolivars)			
Up to 6 months	240,551,754	241,687,242	235,190,920	237,589,997
6 months to 1 year	7,095,292	7,465,894	71,797,023	80,783,060
1 to 5 years	1,021,997,281	1,088,624,240	748,529,765	825,092,509
Over 5 years	1,414,817,099	1,450,507,997	869,305,872	943,950,291
	2,684,461,426	2,788,285,373	1,924,823,580	2,087,415,857

At June 30, 2016, interest receivable on investment securities amounts to Bs 47,146,785 (Bs 32,395,430 at December 31, 2015).

At June 30, 2016 and December 31, 2015, loans and advances to beneficiaries of the length-of-service benefit trust fund are in respect of loans and advances granted to employees guaranteed by their length-of-service benefits deposited in the trust fund. These interest-free and short-term loans are in respect of length-of-service benefit trust fund plans of public and private-sector companies.

At June 30, 2016, loans and advances to beneficiaries of the length-of-service benefit trust fund include Bs 169,157,173 (Bs 129,141,077 at December 31, 2015) from Bank employees; Bs 974,659,551 from private length-of-service benefit trust funds, and Bs 931,833,410 from government agencies (Bs 699,982,844 and Bs 629,522,436, respectively, at December 31, 2015).

At June 30, 2016 and December 31, 2015, fiduciary remuneration payable to the Bank amounts to Bs 4,463,152 and Bs 3,571,562, respectively, and is included under other liabilities. This remuneration is calculated on the monthly average capital of the trust fund and is deducted from the product or capital, depending on the terms of the contract. Furthermore, the commission paid by the trust fund and the trustors to the Bank during the six-month period ended June 30, 2016 amounted to Bs 24,633,743 (Bs 20,850,341 during the six-month period ended December 31, 2015) (Note 18).

At June 30, 2016, length-of-service benefit trust funds in favor of Bank employees amount to Bs 427,147,595 (Bs 301,135,943 at December 31, 2015).

The National Treasury Office published in Official Gazette No. 40,172 of May 22, 2013, Resolution No. 0010 “Administrative Ruling regulating the refund to the Treasury of amounts credited to trust funds set up by the Venezuelan government and its decentralized agencies that have been inactive for over four months.” This Resolution establishes that bodies and agencies of the Venezuelan government that have set up trust funds with budgetary resources at public or private banks without having made the corresponding disbursements or payments for periods equal or over four months, with the exception of labor trust funds, shall refund to the National Treasury account both the trust fund capital and the dividends generated. At June 30, 2016 and December 31, 2015, the Venezuelan government or its decentralized agencies have not set up trust funds at the Bank.

Debtor accounts from other special trust services (Housing Loan System) and Housing Savings Fund comprise the following:

	June 30, 2016	December 31, 2015
	(In bolivars)	
Assets		
Cash and due from banks (Note 13)	5,484,244	3,047,103
Investment securities	2,003,811,369	1,376,407,819
Loan portfolio	165,639,975	174,026,502
Interest receivable	349,593	398,099
Other assets	112,195	2
Total assets	2,175,397,376	1,553,879,525
Liabilities		
Contributions to the Housing Savings Fund	1,886,251,817	1,268,676,999
Liabilities to BANAVIH	238,532,215	238,521,124
Total liabilities	2,124,784,032	1,507,198,123
Income	50,613,344	46,681,402
Total liabilities and income	2,175,397,376	1,553,879,525

Housing programs, direct subsidies, eligibility schemes, the Guarantee Fund and the Rescue Fund are subject to the Housing Loan Law. They are aimed mostly at families applying for housing loans through the Housing Mutual Fund. Financial institutions authorized by BANAHIV to act as financial operators receive monthly contributions from employers, employees and workers in the private and public sectors to be deposited in a Housing Mutual Fund account on behalf of each employee. These funds will be used to grant short and long-term mortgages for acquisition, construction or improvement of primary residences.

At June 30, 2016, the Bank has an investment trust in BANAVIH for Bs 2,003,811,369 (Bs 1,376,407,819 at December 31, 2015) in respect of funds from deposits under the Housing Loan Law collected and transferred by the Bank, shown as investment securities in conformity with the Accounting Manual.

According to the Housing Loan Law, monthly mortgage loan repayments will represent between 5% and 20% of the monthly family income. In addition, these loans will bear interest at the social interest rate set by the People’s Power Ministry for Housing.

At June 30, 2016, the Bank has granted loans out of BANAVIH resources of Bs 165,639,975 (Bs 174,026,502 at December 31, 2015). These loans bear annual interest at between 4.66% and 8.55%.

At June 30, 2016, the Housing Savings Fund has 1,649 debtors (1,725 debtors at December 31, 2015).

During the six-month period ended June 30, 2016, the Bank recorded income of Bs 578,207 (Bs 564,700 during the six-month period ended December 31, 2015) from commissions charged to BANAVIH for the administration of resources related to the Mandatory Housing Savings Fund, shown under interest income.

22. Financial instruments with off-balance sheet risk

Credit-related financial instruments

The Bank has outstanding commitments related to letters of credit, guarantees granted and lines of credit to meet the needs of its customers. Since many of its credit commitments may expire without being drawn upon, total commitment amounts do not necessarily represent future cash requirements. Commitments to extend credit, letters of credit and guarantees granted by the Bank are recorded under memorandum accounts.

a) Guarantees granted

After conducting a credit risk analysis, the Bank provides guarantees to certain customers within their line of credit; they are issued to a beneficiary who may execute the guarantee if the customer fails to comply with the terms of the agreement. At June 30, 2016 and December 31, 2015, these guarantees earned annual commissions of 1%. These commissions are recorded monthly while the guarantees are in force.

At June 30, 2016, Bank guarantees amount to Bs 235,513,600 (Bs 580,060,140 at December 31, 2015) (Note 21).

b) Credit limits

Credit limit contractual agreements are granted to customers subject to prior credit risk assessments and, if needed, obtention of any guarantee required by the Bank to cover risk for each customer. These agreements are for specific periods, provided that customers do not default on the terms set forth therein (Note 21). The Bank may exercise its option to cancel a credit commitment with a particular customer.

c) Letters of credit

Letters of credit usually mature within 90 days, and are renewable. They are generally issued to finance a trade agreement for the shipment of goods from a seller to a buyer. At June 30, 2016 and December 31, 2015, the Bank charged a commission of between 0.5% and 2% on the amount of letters of credit. Unused letters of credit at June 30, 2016 amount to Bs 29,826,362 (Bs 5,795,413 at December 31, 2015) (Note 21).

The Bank's exposure to credit loss in the event of noncompliance by customers with terms for extended credit, letters of credit and written guarantees is represented by the notional contractual amounts of these credit-related instruments. The credit policies applied by the Bank for these commitments are the same as those for granting loans.

In general, the Bank evaluates customer eligibility before granting credit. The amount of collateral provided, if required by the Bank, is based on customer credit assessment. The type of collateral varies, but may include accounts receivable, property and equipment and investment securities.

23. Equity

a) Capital stock and authorized capital

At June 30, 2016 and December 31, 2015, the Bank's paid-in capital amounts to Bs 1,621,930,372 and Bs 1,321,930,372, respectively, represented by 1,621,930,372 and 1,321,930,372 non-convertible common shares of the same class with a par value of Bs 1 each, fully subscribed and paid-in. The Bank complies with the minimum capital required under the current legislation.

At a Regular Shareholders' Meeting held on March 26, 2014, it was resolved to declare and pay dividends, and to increase capital to up to Bs 150,000,000 as stock dividends with a charge to restricted surplus. On October 30, 2014, and upon a favorable pronouncement from OSFIN, SUDEBAN issued

Notice SIB-II-GGR-GA-37384 authorizing the aforementioned capital increase. On July 8, 2015, the Bank received from the SNV Resolution No. 038 of June 4, 2015 authorizing the public offering and listing of shares in the National Securities Registry.

At a Regular Shareholders’ Meeting held on September 24, 2014, it was resolved to declare and pay dividends, and to increase capital to up to Bs 190,000,000 as stock dividends with a charge to restricted surplus. On June 16, 2015, and upon a favorable pronouncement from OSFIN, SUDEBAN issued Notice SIB-II-GGR-GA-19530 authorizing the aforementioned capital increase. Through Resolution No. 056 of September 8, 2015, the SNV authorized the public offering and listing of shares in the National Securities Registry.

At a Regular Shareholders’ Meeting held on March 25, 2015, it was resolved to declare and pay dividends, and to increase capital to up to Bs 300,000,000 as stock dividends with a charge to restricted surplus. On October 20, 2015, and upon a favorable pronouncement from OSFIN, SUDEBAN issued Notice SIB-II-GGR-GA-33311 authorizing the aforementioned capital increase. Through Resolution No. 010/2016 of February 15, 2016, the SNV authorized the public offering and listing of shares in the National Securities Registry.

At a Special Shareholders’ Meeting on March 25, 2015, it was resolved to increase capital to up to Bs 400,000,000, through the public offering of non-convertible common shares with a par value of Bs 1 at a premium. On October 5, 2015, and upon a favorable pronouncement from OSFIN, SUDEBAN issued Notice SIB-II-GGR-GA-32006 authorizing the capital increase. To date, the Bank is awaiting approval from the SNV. On November 18, 2015, through Notice DSNV-CJU-3250, the SNV issued a statement and clarification in response to the Bank’s request and allowed the reception of the voluntary contributions made by the shareholders before receiving its authorization. On May 23, 2016, through Resolution No. 016, the SNV authorized the public offering and listing of shares in the National Securities Registry. At June 30, 2016 and December 31, 2015, the Bank received contributions in this connection from its shareholders for Bs 1,178,979,459 and Bs 2,929,106,906, respectively, shown under contributions pending capitalization. In August 2016, the placement is being completed and the respective capital increase is pending.

At a Regular Shareholders’ Meeting held on September 28, 2015, it was resolved to declare and pay dividends, and to increase capital to up to Bs 450,000,000 as stock dividends with a charge to restricted surplus. On July 28, 2016, and upon a favorable pronouncement from OSFIN, SUDEBAN issued Notice SIB-II-GGR-GA-21534 authorizing the aforementioned capital increase. To date, the Bank is awaiting approval from the SNV.

At a Regular Shareholders’ Meeting held on March 30, 2016, it was resolved to declare and pay dividends for Bs 560,000,000, to be distributed as follows: Bs 140,000,000 payable in cash with a charge to unappropriated surplus, and Bs 420,000,000 through a stock dividend payable with a charge to restricted surplus. Through Notice SIB-II-GGIBPV-GIBPV4-13040 dated April 29, 2016, SUDEBAN instructed the Bank to record a cash dividend payable. At June 30, 2016, the Bank recorded cash dividends payable of Bs 140,000,000 under accruals and other liabilities (Note 16). To date, the Bank is awaiting a response from SUDEBAN and the SNV.

Shares subscribed by shareholders for the six-month periods ended June 30, 2016 and December 31, 2015 are identified as non-convertible common shares as follows:

	June 30, 2016		December 31, 2015	
	Number of shares	Equity %	Number of shares	Equity %
Shareholders				
Nogueroles García, Jorge Luis	154,823,604	9.5456	127,816,761	9.6689
Nogueroles López, José María	104,261,563	6.4282	84,976,847	6.4282
Halabi Harb, Anuar	94,640,616	5.8351	77,135,436	5.8351
Valores Torre Casa, C.A.	87,217,524	5.3774	71,085,355	5.3774
Alintio International, S.L.	80,230,545	4.9466	65,390,720	4.9466
Curbelo Pérez, Juan Ramón	63,972,814	3.9442	52,140,097	3.9442
Zasuma Inversiones, C.A.	62,227,084	3.8366	50,717,265	3.8366
De Guruceaga López, Gonzalo Francisco	61,452,550	3.7889	50,085,993	3.7889
Inversiones Clatal, C.A.	51,544,625	3.1780	42,010,685	3.1780
Osio Montiel, Carmen Inés	40,093,006	2.4719	16,440,278	1.2437
Tamayo Degwitz, Carlos Enrique	30,183,867	1.8610	26,700,915	2.0198
Inversiones Tosuman, C.A.	30,175,170	1.8604	24,593,827	1.8604
Teleacción A.C., C.A.	30,175,157	1.8604	24,593,816	1.8604
García Arroyo, Sagrario	27,668,912	1.7059	26,301,138	1.9896
Kozma Ingenuo, Alejandro Nicolás	25,483,968	1.5712	20,770,332	1.5712
Kozma Ingenuo, Carolina María	25,483,968	1.5712	20,770,332	1.5712
Puig Miret, Jaime	25,018,015	1.5425	24,831,526	1.8784
Kozma Solymosy, Nicolás A.	24,545,236	1.5133	20,005,232	1.5133
Consorcio Toyomarca, S.A. (Toyomarca, S.A.)	22,565,629	1.3913	18,391,783	1.3913
Inversiones Grial, C.A.	18,871,619	1.1635	11,397,448	0.8622
Chaar, Mouada	18,424,157	1.1359	15,016,337	1.1359
Inversora Fernández, S.A.	17,834,496	1.0996	14,535,743	1.0996
Nogueroles García, María Monstserrat	17,808,050	1.0980	14,514,188	1.0980
Inversora Diariveca, C.A.	16,728,471	1.0314	13,634,293	1.0314
Somoza Mosquera, David	16,085,461	0.9917	13,110,218	0.9917
Herrera de la Sota, Mercedes de la Concepción	16,040,009	0.9889	15,073,173	1.1402
Eurobuilding Internacional, C.A.	15,309,521	0.9439	12,477,799	0.9439
D'Alessandro Bello, Nicolás Gerardo	15,012,605	0.9256	12,235,803	0.9256
Benacerraf Herrera, Andrés Gonzalo	14,591,176	0.8996	13,792,323	1.0433
Benacerraf Herrera, Mercedes Cecilia	14,591,176	0.8996	13,792,323	1.0433
Benacerraf Herrera, Jorge Fortunato	14,571,355	0.8984	13,776,168	1.0421
Valores Abezur, C.A.	14,355,207	0.8851	-	-
Cedeño, Eligio	14,250,811	0.8786	11,614,913	0.8786
Industria Venezolana Maicera Pronutricos, C.A.	11,701,857	0.7215	9,537,426	0.7215
Ponte Sucre, Gonzalo Luis	11,650,791	0.7183	9,495,805	0.7183
Other	332,339,757	20.4907	283,168,074	21.4212
	1,621,930,372	100.0000	1,321,930,372	100.0000

b) Capital reserves and retained earnings

Based on the provisions set out in its bylaws and the Law on Banking Sector Institutions, the Bank makes an appropriation to the legal reserve every 6 months equivalent to 20% of its biannual net income until the reserve reaches 50% of its capital stock. Once the legal reserve reaches this amount, the Bank's appropriation to the legal reserve will be 10% of its biannual net income until the reserve covers 100% of its capital stock.

At June 30, 2016 and December 31, 2015, capital reserves include Bs 996,124 in respect of voluntary reserves.

Through Notice SIB-II-GGIBPV-GIBPV2-07778 issued on March 30, 2011, SUDEBAN informed the Bank that results generated by Branch operations should be considered restricted surplus. During the six-month period ended June 30, 2016, the Bank reclassified a loss of Bs 120,575,601, corresponding to Branch results for the six-month period then ended, to the equity account accumulated loss.

Resolution No. 305.11 issued by SUDEBAN on December 14, 2011 was published in Official Gazette No. 39,820 on December 14, 2011. This Resolution relates to the "Regulations Governing the Social Contingency Fund" and establishes the guidelines to account for the social fund, in conformity with Article No. 45 of the Law on Banking Sector Institutions.

On March 23, 2012, the Bank created the social fund through an investment trust fund with Banco Exterior, C.A. Banco Universal, in conformity with Resolution No. 305.11. The Bank made the respective accounting entries with a charge to restricted investments (Note 5-d) and a credit to cash maintained with the BCV.

At June 30, 2016, the Bank recorded the social contingency fund of Bs 9,765,571, which includes capital and interest (Bs 8,084,253 at December 31, 2015), with a charge to unappropriated surplus and a credit to capital reserves. On July 7, 2016, the Bank transferred Bs 8,109,652 to the investment trust fund with Banco Exterior, C.A. Banco Universal and made the accounting record with a debit to restricted investments and a credit to cash maintained at the BCV (Bs 6,609,652 on January 13, 2016 during the six-month period ended December 31, 2015). Furthermore, at June 30, 2016, the Bank capitalized Bs 1,688,919 in connection with interest income, net generated by this trust fund (Bs 1,474,601 at December 31, 2015).

In compliance with SUDEBAN Resolution No. 329.99, during the six-month period ended June 30, 2016, the Bank reclassified Bs 719,111,379 (Bs 550,503,419 at December 31, 2015) to restricted surplus, equivalent to 50% of income for the six-month period, net of appropriations to reserves and Branch income. At June 30, 2016 and December 31, 2015, restricted surplus amounts to Bs 1,869,760,261 and Bs 1,450,648,885, respectively. These amounts may be used for capital stock increase, but not for cash dividend distribution.

Below is the movement in restricted surplus balances:

	Resolution No. 329.99 (In bolivars)
Balance at June 30, 2015	1,240,145,466
Capital increase through decree of dividends	(340,000,000)
Appropriation of 50% of income for the period	550,503,419
Balance at December 31, 2015	1,450,648,885
Capital increase through decree of dividends	(300,000,000)
Appropriation of 50% of income for the period	719,111,376
Balance at June 30, 2016	1,869,760,261

c) Exchange gain from holding foreign currency assets and liabilities

At June 30, 2016 and December 31, 2015, exchange gain from holding foreign currency assets and liabilities comprises the following:

	(In bolivars)
Balance at June 30, 2015	2,342,043,822
Net gain on sale of foreign currency assets through SIMADI (Note 5)	509,056,750
Balance at December 31, 2015	2,851,100,572
Net gain on sale of foreign currency assets through SIMADI (Note 5)	729,874,147
Net exchange gain	235,306,988
Balance at June 30, 2016	3,816,281,707

Through Resolution No. 048.14 of April 1, 2014, SUDEBAN established the rules to record net benefits obtained by financial institutions from transactions as bidders in SIMADI these benefits shall be recorded in equity under exchange gain from holding foreign currency assets and liabilities.

d) Risk-based capital ratio

Through Resolution No. 305.09 of July 2009, SUDEBAN establishes the following in connection with total risk-based capital ratio: a) contributions pending capitalization and Treasury stock are considered as primary equity (Tier 1); b) goodwill and investments in Venezuelan financial subsidiaries or affiliates must be deducted from the primary equity (Tier 1); and c) 50% of pending cash items, overnight deposits and deposits and credits related to microcredits, agriculture, manufacturing and tourism activities must be included into the risk category. Furthermore, this Resolution establishes a new 75% risk weighting applicable to overnight deposits in local currency.

Through Resolution No. 117.14 of August 9, 2014, SUDEBAN established that banking institutions should maintain the capital to risk asset ratio provided in Article No. 6 of Resolution No. 305.09 dated July 9, 2009 in no less than 9%.

Through Circular SIB-II-GGR-GNP-11290 of April 9, 2015, SUDEBAN establishes the guidelines for determining equity to total assets and contingent operations ratio that private banks are allowed to exclude from total assets 50% of the legal reserve balances maintained at each month closing. Through Circular SIB-II-GGR-GNP-33498 of October 22, 2015, SUDEBAN allowed the exclusion from total assets of legal reserve balances maintained.

At June 30, 2016 and December 31, 2015, the minimum total risk-based capital and equity-to-total assets will be 12% and 9%, respectively.

At June 30, 2016 and December 31, 2015, the Bank calculates the total risk-based capital ratio and capital to risk asset ratio in conformity with current regulations.

Ratios required and maintained by the Bank, in accordance with SUDEBAN rules, have been calculated based on its published financial statements, as indicated below:

	June 30, 2016		December 31, 2015	
	Required %	Required %	Required %	Maintained %
Total risk-based capital	12	14.18	12	13.85
Equity-to-total assets	9	12.25	9	11.11

24. Balances and transactions with related companies

In the ordinary course of business, the Bank conducts commercial transactions with related companies. Because of those relationships, certain transactions may have taken place on terms other than those that would characterize transactions between unrelated companies.

A breakdown of the Bank's balances and transactions with its related company Caracas International Banking Corporation is provided below:

	June 30, 2016	December 31, 2015
	(In bolivars)	
Assets		
Cash and due from banks		
Foreign and correspondent banks, equivalent to US$20,343 (US$34,102 at December 31, 2015)	202,926	214,306

	June 30, 2016	December 31, 2015
	(In bolivars)	
Liabilities		
Borrowings (Note 14)		
Interest-bearing checking accounts, with 0.25% annual interest	943,046	941,855
Expenses for the period		
Interest expense		
Expenses from borrowings	1,191	2,357

25. Social Bank Deposit Protection Fund

The Social Bank Deposit Protection Fund (FOGADE), among other things, aims to guarantee customer deposits with Venezuelan financial institutions up to a given amount per depositor.

The Law on Banking Sector Institutions requires private banks regulated by this Law to pay a special fee to support FOGADE operations.

The biannual fee is equivalent to 0.75% of the total amount of customer deposits at the end of each semester prior to the payment date, calculated in accordance with instructions issued by FOGADE and paid to FOGADE through monthly premiums equivalent to one-sixth of 0.75%. This fee is shown under operating expenses.

26. Special fee paid to the Superintendency of Banking Sector Institutions

The Law on Banking Sector Institutions requires Venezuelan banks and financial institutions regulated by this Law to pay a special fee to support SUDEBAN operations.

At June 30, 2016 and December 31, 2015, the biannual fee is 0.08% of the average of the Bank's assets; it is payable monthly. This fee is shown under operating expenses.

Through Resolution No. 114.16 of June 30, 2016, SUDEBAN established that the contribution for the second semester of 2016, payable by private banking institutions subject to the supervision and control of this Superintendency within the first five business days of each month, is 0.08% of the Bank's average assets at the May and June 2016 month-end.

27. Legal reserve

The Law on Banking Sector Institutions requires financial institutions to maintain a minimum legal reserve deposit and the BCV is in charge of monitoring compliance, setting the legal reserve rate and the rules for its constitution, as well as imposing sanctions for noncompliance.

Accordingly, through Resolution No. 14-03-02 of March 13, 2014, the BCV requires financial institutions to maintain a minimum legal reserve deposit at such institute equal to a percentage of their placements, deposits, liabilities and investments assigned, excluding liabilities with the BCV, FOGADE and other financial institutions; liabilities arising from funds received from the Venezuelan government, local or foreign entities to finance special programs in the country (once these funds have been allocated); liabilities arising from funds received from financial institutions to finance and promote exports as required by Law (once these funds have been allocated); and liabilities in foreign currency resulting from its offices abroad and those resulting from transactions with other banks and financial institutions for which the latter have, in turn, created a reserve pursuant to the legal reserve regulations. Liabilities arising from resources provided by Mandatory Housing Savings Funds required under the Venezuelan

Housing Loan Law and managed by financial institutions in trust funds will not be computed. In addition, through Resolutions Nos. 12-05-02 and 13-04-01 published in Official Gazettes Nos. 39,933 and 40,155 on May 29, 2012 and on April 26, 2013, respectively, the BCV reduced the legal reserve amount to be allocated by financial institutions that purchased dematerialized certificates of participation issued by the Simón Bolívar Fund by the balance of such certificates. For the six-month periods ended June 30, 2016 and December 31, 2015, the Bank maintains Bs 1,883,890,472 and Bs 2,527,496,606, respectively, in this connection (Note 5-b).

The legal reserve must be maintained in legal tender, regardless of the currency of the transactions from which it originated (Note 3).

28. Contingencies

At June 30, 2016 and December 31, 2015, the Bank is defendant in the following legal proceedings:

Labor

The Bank has received legal claims from individuals in respect of length-of-service and other labor-related benefits amounting to Bs 58,523,965 and Bs 58,700,846 at June 30, 2016 and December 31, 2015, respectively. In the opinion of Bank management and its external legal advisors, these claims are not well grounded in law and, therefore, should not have a material adverse effect on the Bank's financial position and results of operations.

Bank management and its legal advisors believe that most of these assessments are not well grounded in law and, consequently, that the outcome of these claims will be favorable to the Bank. At June 30, 2016 and December 31, 2015, the Bank has set aside no provision in this connection.

Except for the aforementioned assessments, management is not aware of any other pending tax, labor or other claim that may have a significant effect on the Bank's financial position or result of operations.

29. Maturity of financial assets and liabilities

Below is a breakdown of the estimated maturity of financial assets and liabilities:

	June 30, 2016							
	Maturity							
	December 31, 2016	June 30, 2017	December 31, 2017	June 30, 2018	December 31, 2018	June 30, 2019	Beyond December 31, 2019	Total
	(In bolivars)							
Assets								
Cash and due from banks	67,106,037,756	-	-	-	-	-	-	67,106,037,756
Investment securities	901,479,161	777,291,680	126,799,856	480,590,638	215,618,036	322,276,883	14,640,391,701	17,464,447,955
Loan portfolio	70,373,748,670	19,797,840,015	4,350,647,067	5,112,601,131	2,249,388,016	7,669,486,665	9,681,426,472	119,235,138,036
Interest and commissions receivable	1,340,377,644	-	-	-	-	-	-	1,340,377,644
	139,721,643,231	20,575,131,695	4,477,446,923	5,593,191,769	2,465,006,052	7,991,763,548	24,321,818,173	205,146,001,391
Liabilities								
Customer deposits	147,276,378,735	25,432,475	-	2,650,000	-	-	-	147,304,461,210
Borrowings	124,888,044	-	-	-	-	-	-	124,888,044
Interest and commissions payable	307,840,762	-	-	-	-	-	-	307,840,762
	147,709,107,541	25,432,475	-	2,650,000	-	-	-	147,737,190,016

	December 31, 2015							
	Maturity							
	June 30, 2016	December 31, 2016	June 30, 2017	December 31, 2017	June 30, 2018	December 31, 2018	Beyond December 31, 2018	Total
	(In bolivars)							
Assets								
Cash and due from banks	48,978,708,814	-	-	-	-	-	-	48,978,708,814
Investment securities	976,799,229	464,294,667	1,269,627,043	164,358,830	1,103,528,885	225,728,093	14,905,536,294	19,109,873,041
Loan portfolio	53,308,514,425	13,424,393,503	3,028,102,383	5,538,437,253	3,343,983,247	2,644,369,007	6,136,370,125	87,424,169,943
Interest and commissions receivable	995,416,022	-	-	-	-	-	-	995,416,022
	104,259,438,490	13,888,688,170	4,297,729,426	5,702,796,083	4,447,512,132	2,870,097,100	21,041,906,419	156,508,167,820
Liabilities								
Customer deposits	147,269,560,754	34,900,456	-	-	-	-	-	147,304,461,210
Borrowings	161,610,575	-	-	-	-	-	-	161,610,575
Interest and commissions payable	228,819,648	-	-	-	-	-	-	228,819,648
	147,659,990,977	34,900,456	-	-	-	-	-	147,694,891,433

30. Fair value of financial instruments

The estimated fair value of the Bank's financial instruments, their book value, and the main assumptions and methodology used to estimate their fair values are shown below:

	June 30, 2016		December 31, 2015	
	Book value	Estimated fair value	Book value	Estimated fair value
	(In bolivars)			
Assets				
Cash and due from banks	67,106,037,756	67,106,037,756	48,978,708,814	48,978,708,814
Investment securities, net	17,464,347,955	17,112,479,966	19,109,773,041	19,313,216,022
Loan portfolio, net	116,433,590,132	116,433,590,132	85,608,576,524	85,608,576,524
Interest and commissions receivable, net	1,319,080,657	1,319,080,657	986,026,273	986,026,273
	202,323,056,500	201,971,188,511	154,683,084,652	154,886,527,633
Liabilities				
Customer deposits	197,789,647,774	197,789,647,774	147,304,461,210	147,304,461,210
Borrowings	124,888,044	124,888,044	228,819,648	228,819,648
Other liabilities from financial intermediation	-	-	-	-
Interest and commissions payable	307,840,762	307,840,762	161,610,575	161,610,575
	198,222,376,580	198,222,376,580	147,694,891,433	147,694,891,433

Short-term financial instruments

Short-term financial instruments, both assets and liabilities, are shown in the balance sheet at book value, which does not significantly differ from fair value due to their short-term maturity. These instruments include cash and due from banks, customer deposits with no fixed maturity and short-term maturity, short-term borrowings, other liabilities from financial intermediation with short-term maturity, and interest receivable and payable.

Investment securities

The fair value of investments in available-for-sale and held-to-maturity securities was determined using quoted market prices, reference prices determined from trading operations on the secondary market, the present value of estimated future cash flows and quoted market prices of financial instruments with similar characteristics (Note 5-a and b). Investments in other securities are shown at par value, which is considered as fair value (Note 5-e). The equivalent fair value in bolivars of securities in foreign currency is calculated using the official exchange rate.

Loan portfolio
The Bank's loan portfolio earns interest at variable rates that are reviewed regularly. In addition, allowances are made for loans with some risk of recovery. Therefore, in management's opinion, the book value of the loan portfolio approximates its fair value.

Customer deposits and long-term liabilities
Customer deposits and long-term liabilities bear interest at variable rates, which are reviewed regularly. Therefore, management considers fair value to be equivalent to book value.

31. Legally established limits for loans and investments

At June 30, 2016 and December 31, 2015, the Bank does not have loans with debtors that individually exceed 10% of its equity or with economic groups exceeding 20% of the Bank's equity, and does not maintain investments or loans exceeding the limits established in the Law on Banking Sector Institutions.